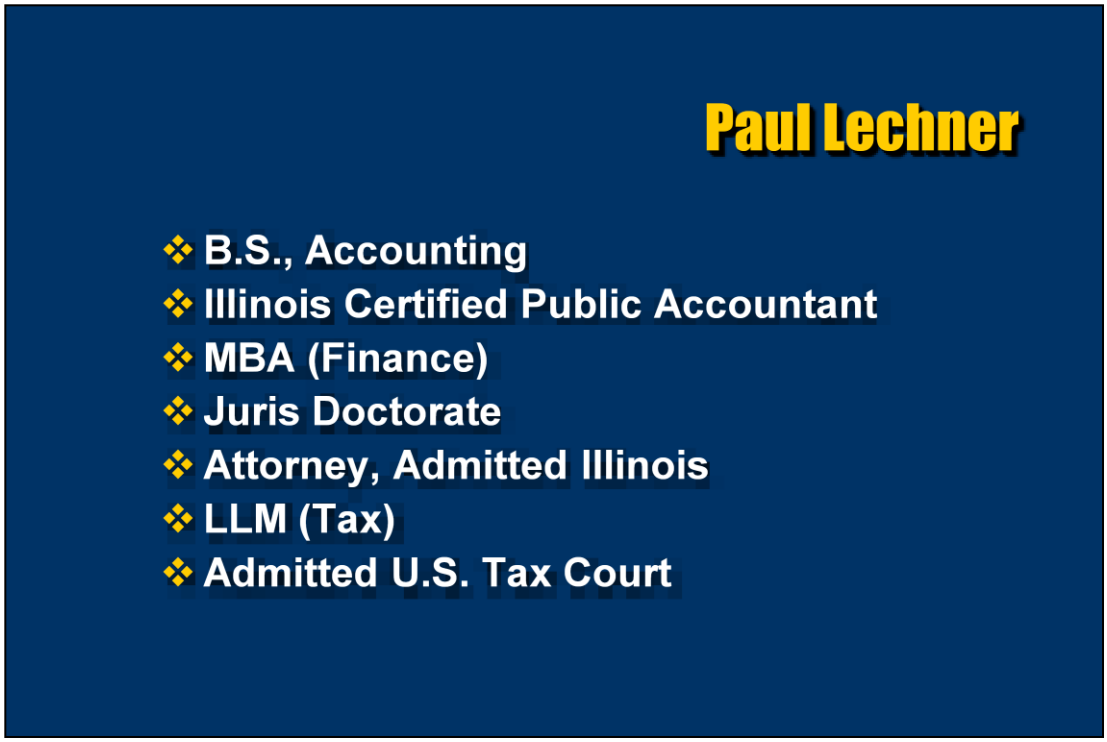
Estate Planning Workshop

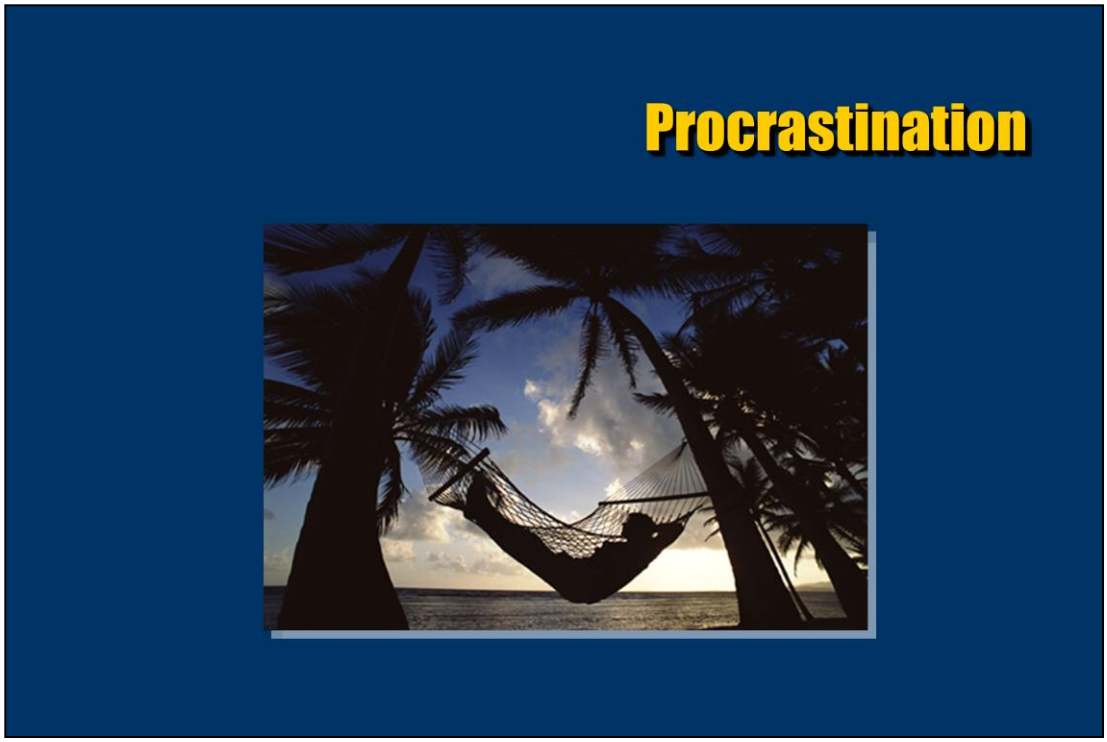
SXU

Our presentation today is by Jerry Broadhurst and Paul Lechner, Esq., CPA, an Adjunct Professor at the Graham School of Management of Saint Xavier University.



Hello, and thank you for coming. I'm pleased you could join us for this important presentation. If you are like the thousands of people before you who have heard this presentation, then I promise that when it's over, you'll have been entertained, informed and motivated to take charge of a critically important issue: financial and estate planning during these uncertain times we're experiencing. Before we begin, let me give you a little background about Jerry and myself: *(key highlights of professional careers*).

My experience in this field working with our clients and other professionals has impressed upon me the importance of preserving a family's legacy. Our firm is dedicated to that mission and our program today presents timely information that will allow you to make better decisions.

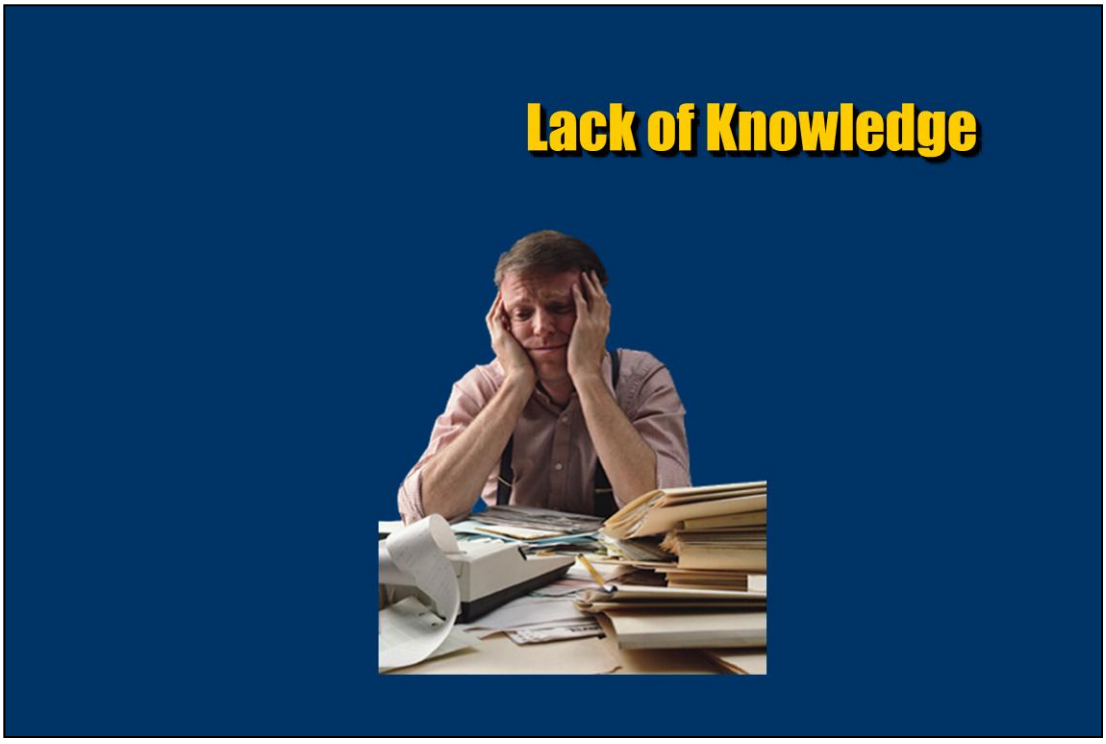


This image visually shows the number one reason people don't plan: procrastination.

I can tell this is a smart audience, so no one out there is thinking what a man said awhile ago, "Yes, procrastination… I've had that surgery."

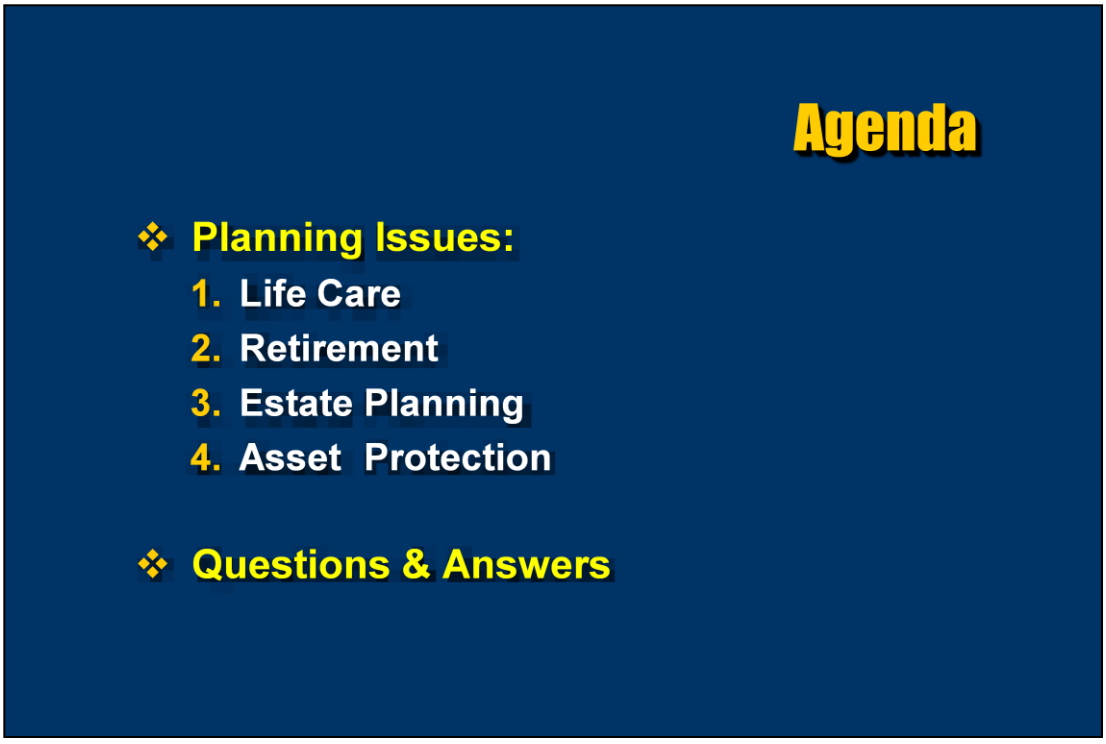
Unlike him, you know that procrastination means putting off until tomorrow important tasks you should do today. The trouble is, tomorrow never arrives. It's always in the future.

Unfortunately, no one is guaranteed enough time. If we become disabled, it's too late to make plans and our entire estate may go to pay for Nursing Home expenses. If we die before we settle our affairs, our family is stuck with the sometimes disastrous consequences. If we blindly leave our retirement assets alone, the IRS could be the biggest beneficiary of our lifetime worth of work. We simply can't take it for granted that we'll have the time to get everything done.



There's a second reason many people don't take the steps necessary to get their house in order and plan their estates: it has to do with a lack of knowledge. Clients often come to me in confusion. They've heard about so many options: In financial planning, there's insurance, annuities, CDs, mutual funds, money under management, 401(k), IRAs and a thousand other ways to invest or lose your money. On the estate planning side, there are gifts, wills, joint tenancy, living trusts, limited partnerships, insurance trusts and charitable trust plans. With this glut of information, they have no idea which options are best for them and their situation.

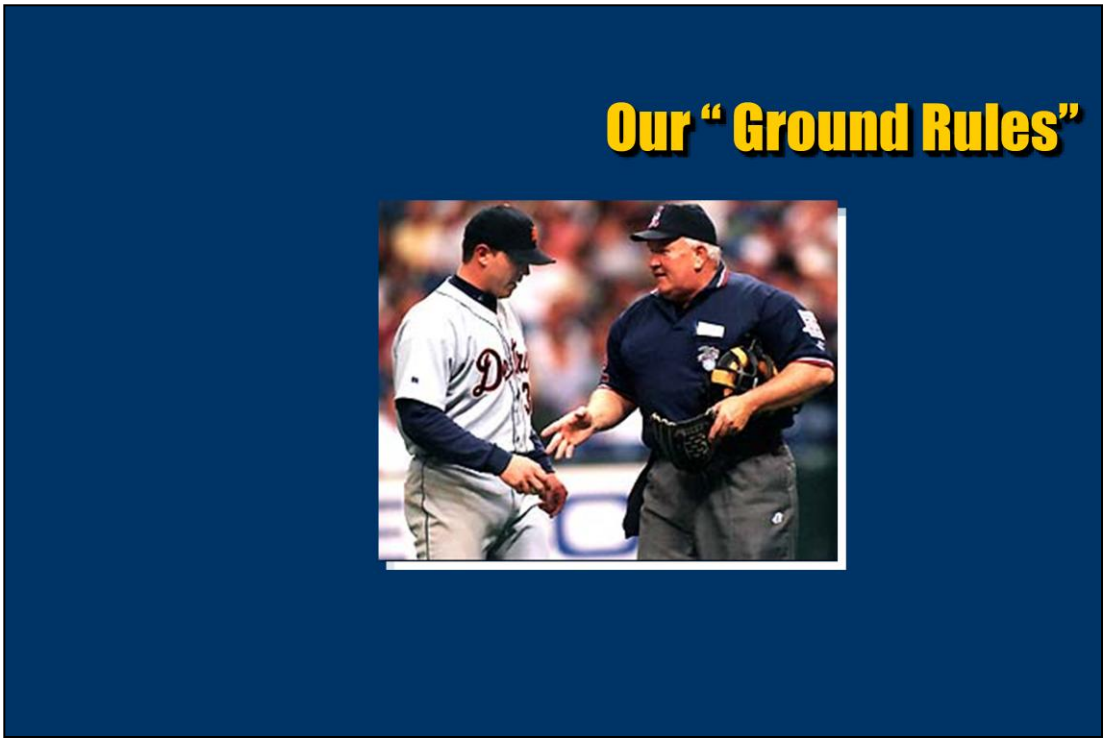
Our job today? To give you an overview of what we believe are the keys of financial and estate planning. We'll describe for you how each of these keys works and to help you pinpoint the right approach for you.



Today, we will present our workshop in the following order. In the first part of our program, we'll go over the three keys to Financial and Estate Survival. We'll discuss Key #1—what is the proper estate plan for you. We'll then move on to Key #2—ways to protect yourself from Nursing Home expenses or other long term care costs. Then, Key #3—How to rescue the funds in your retirement plan from heavy taxation.

After we've reviewed the three keys, we will talk about how to choose a financial and estate planning advisor.

Finally, we'll wrap up with a question and answer period.



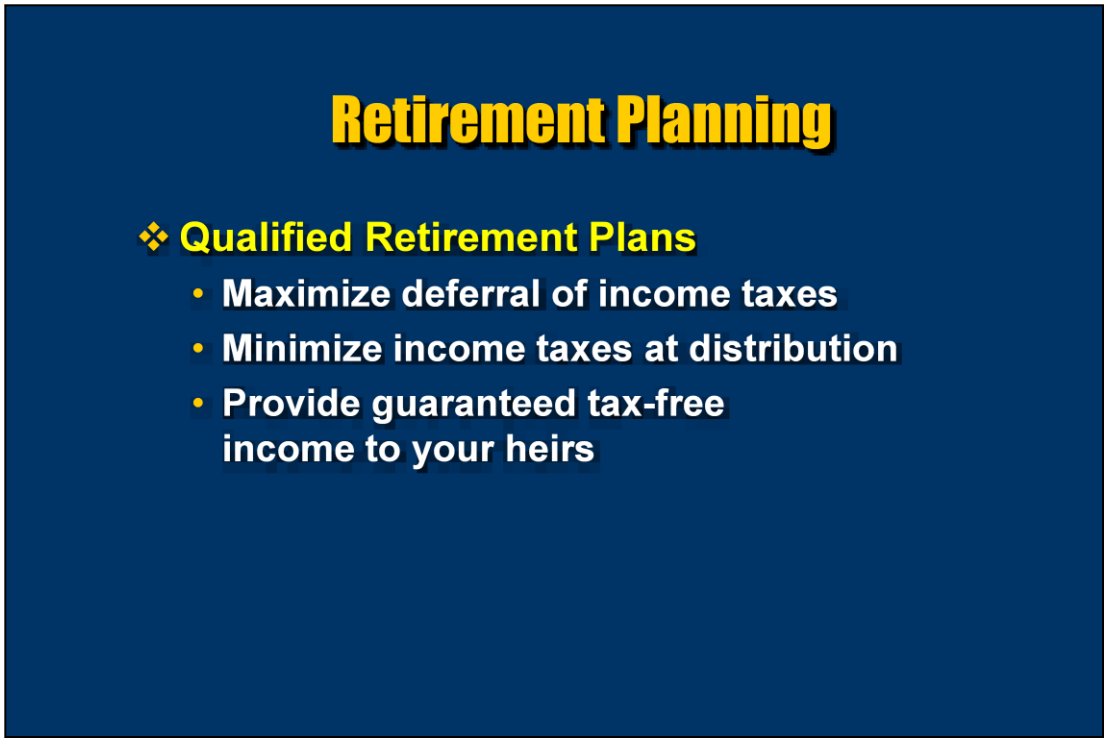
Before we get started, I just want to go over a few ground rules for this workshop. First, I want to assure you that we welcome questions. But to keep our program running smoothly and to get you out on time, we request that if you have a question, please jot it down and ask it during the question and answer period. We'll stay as long as needed to get your questions answered. Also, if any of you brought your cell phones with you today, please turn them off.

A Plan

- Surveys of how Americans plan
  - 67% no written plan
  - 33% written plan
    - 50% of those planning use Trusts
    - 50% use Wills
- Do you have
  - A Will ?
  - A Trust ?
  - No plan ?

The first key we need to address today is the estate plan itself. Surveys have shown that only about 1/3 of Americans have done any conscious estate planning at all. That means that 2/3 of American have done nothing. They don't have a will, a trust or any scrap of paper that will tell the world how their estate is to be distributed. May I ask by a show of hands how many of you here have some kind of written estate plan? Now don't be shy. Thank you. For those of you that have a written plan, how many have a living trust? Hands up. Thank you. How many have a will based plan? Great. Thank you. According to the AARP, about one-half of those who have a plan use a trust instead of a will. This is a remarkable change from many years ago when virtually nobody, but the very wealthy, used a trust to plan their estates. What should you have? We're going to talk about that in detail today. For those of you who have living trusts, you may be surprised to learn that most living trusts fail for one important reason.

The second key in our workshop addresses the important issue of long term care costs, commonly referred to as Nursing Home expenses. You'll be shocked to learn about the huge number of American Families who are left destitute because of Nursing Home expenses. You can have the best estate plan in the world, but it will be worthless if all your assets are eaten up by these devastating expenses. So, we'll show you practical ways to protect your family and your estate.

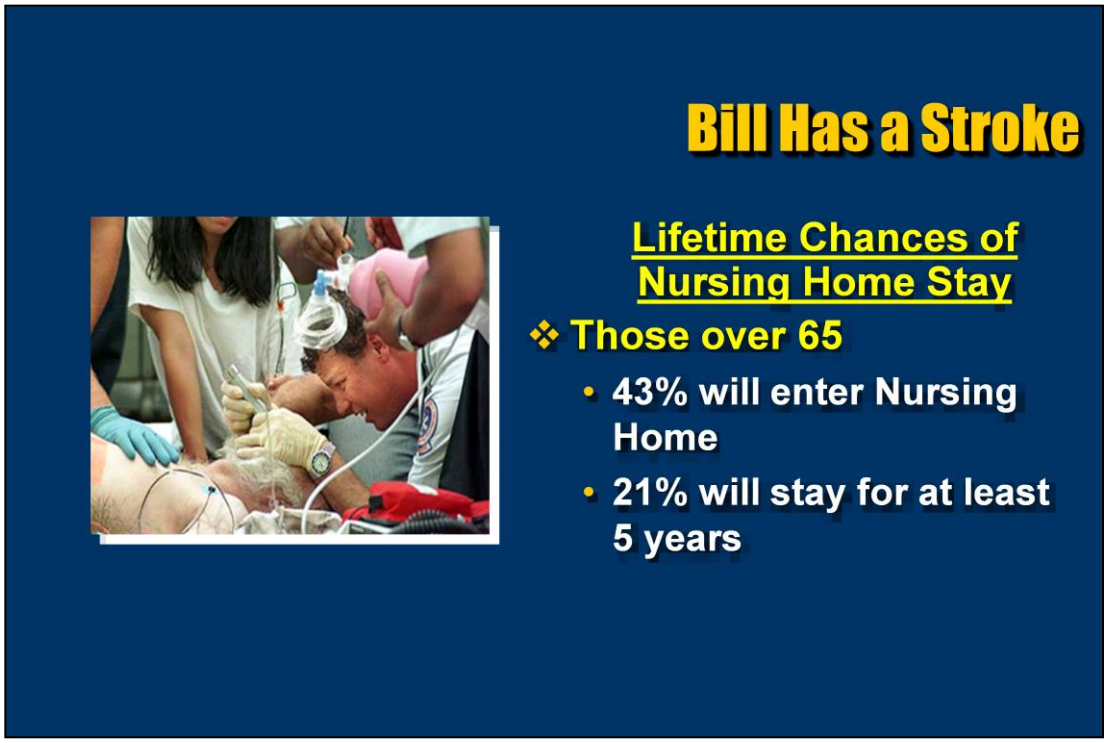


Finally, the third key of our program is a strategy to protect your retirement plan. Most people with retirement plans are not aware of the huge income and estate taxes that are waiting for them and their heirs down the road. There are several strategies to avoid these costly taxes. Today, we'll address one of the most popular, the IRA Rescue Plan.

The first key is creating the proper estate plan.

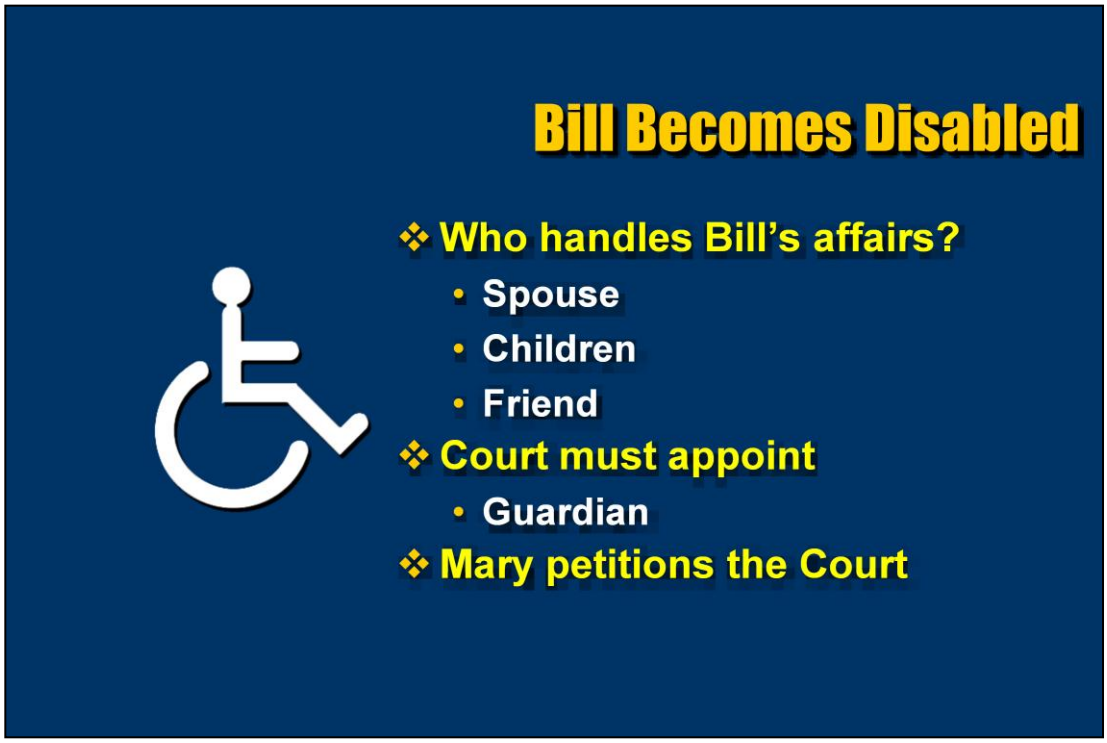
Here are the three most popular options people use. One is joint tenancy. How many of you hold the deed to your home or some other asset as joint tenants? Many married couples do. But if you take home anything from our talk today, I hope it will be the fact that joint tenancy is a very poor way to hold title, married or not. Another option is the will, a legal document that names who will handle your estate —your Executor—and it identifies who your estate will go to, and what they will receive. Wills are very common, but you'll soon see they bring with them lots of problems. The third option we are going to discuss today is the Living Trust. But before we get to that, let's look at the will first.

To demonstrate these concepts, we're going to look at how they impact a couple we'll call Bill and Mary Jones. What happens during life and at death if Bill and Mary create a will?



After they create their wills, Bill and Mary feel like they've done what they can to protect their family. However, one day, out of the blue, Bill has a stroke that leaves him physically and mentally disabled.

You know, most people never consider disability when they plan. They only think of what happens at death. Do you know what the chances are you'll become disabled and need some long term care? Actually, the odds are strong. Consider this: People aged 65 or older face a 43% lifetime chance of entering a Nursing Home, according to the Agency for Healthcare Research and Quality. And of those who do enter a Nursing Home, 21% will remain there for at least five years.

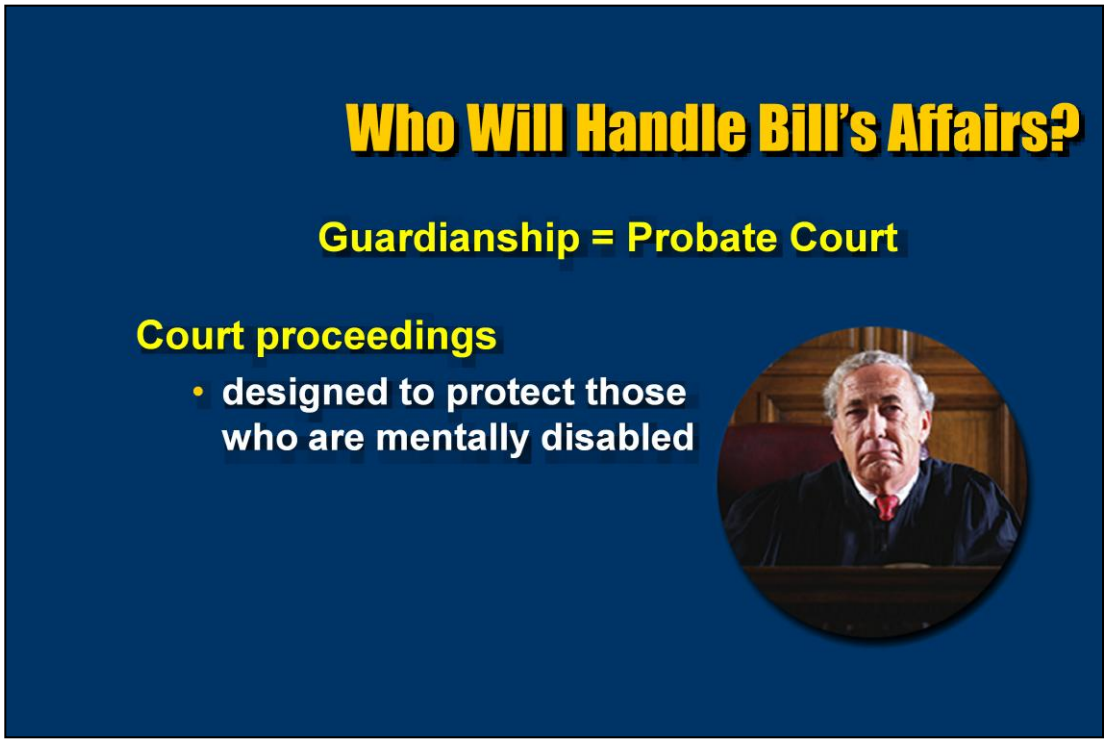


Once Mary and the children get over the initial shock of Bill's illness, they face a question: who will handle Bill's affairs?

If you are too ill or disabled, who will handle your financial affairs for you? Who will make sure that your gas and electric bills are paid? Would it be your spouse? Would it be one or several of your children? Would it be another friend or relative or someone that you live with?

It could potentially be any of these people. But before they can step in and handle your affairs, they usually must first go to court and be appointed your guardian.

So Mary has to go to court.



This is that process we call a "living" probate: the court proceeding to name your guardian.

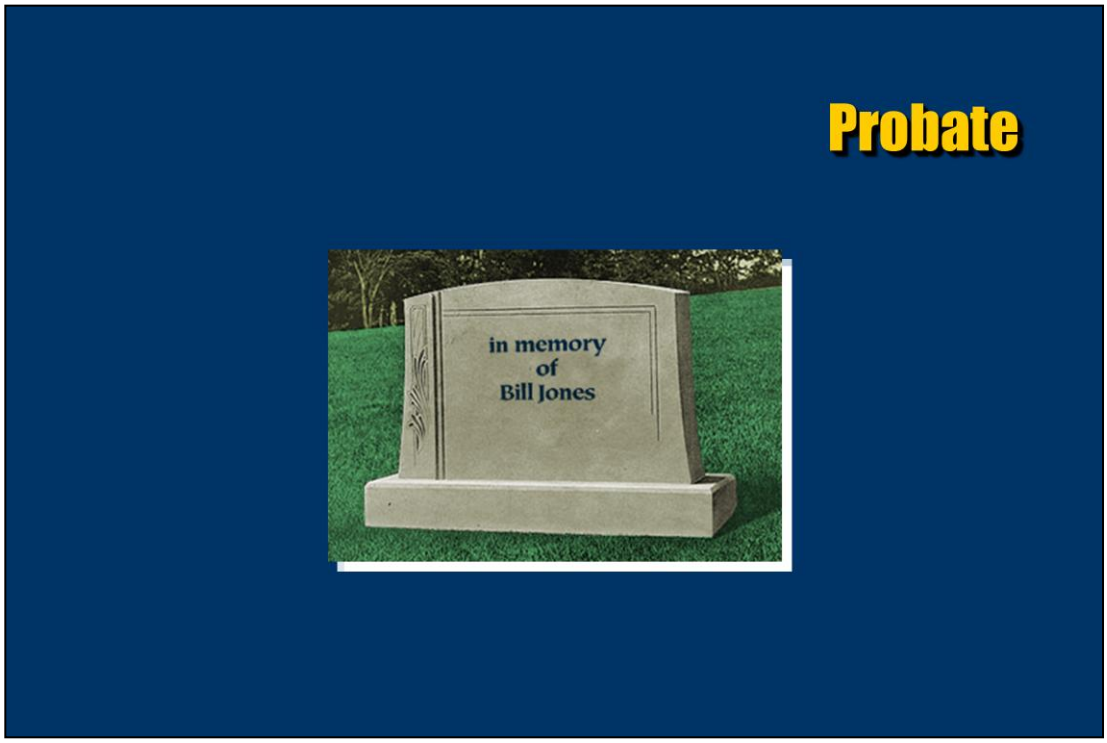
Normally, we think of probate as that often difficult court process that occurs when people die. It can drag out a long time. But a guardianship process happens when you're alive and can be as bad or even worse. Here's why.

Let's say that you get Parkinson's or Huntington's disease, or you have Alzheimer's, or like Bill, you have a stroke. You're severely disabled, but you live for another ten years. And throughout this period, you are not able to handle your affairs. For this full ten-year period, someone the court chooses—and not necessarily someone you would have chosen—has to go in and out of court to ask permission to use your own assets on your behalf. Sound's silly, doesn't it?

This living probate is truly a nightmare. First of all, consider the public humiliation. You will be brought into the court and pronounced “incompetent” to handle your affairs. Secondly, the court is now in control. You don’t get to name who guardian will be. The court does that.

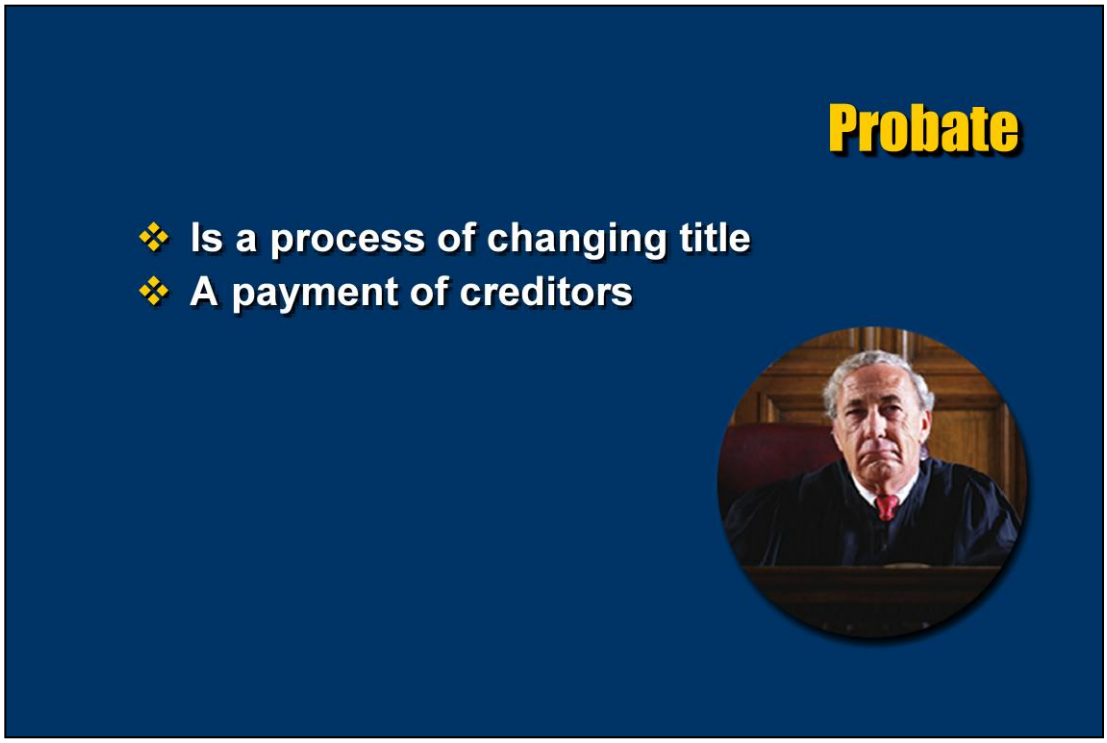
And it’s time consuming. Anytime that you go in and out of court, you know that you are going to deal with a lot of paperwork, and a lot of delays. That paperwork and those delays are extremely aggravating.

And yes, it is also expensive. There are court fees involved, attorney’s fees and accounting fees. Each year or so, an accounting has to be given to the court detailing what your money has been spent on.



Bill and Mary finally get through the living probate process, but unfortunately a few years later, Bill passes away.

At this point, Mary is confronted with the death probate process.



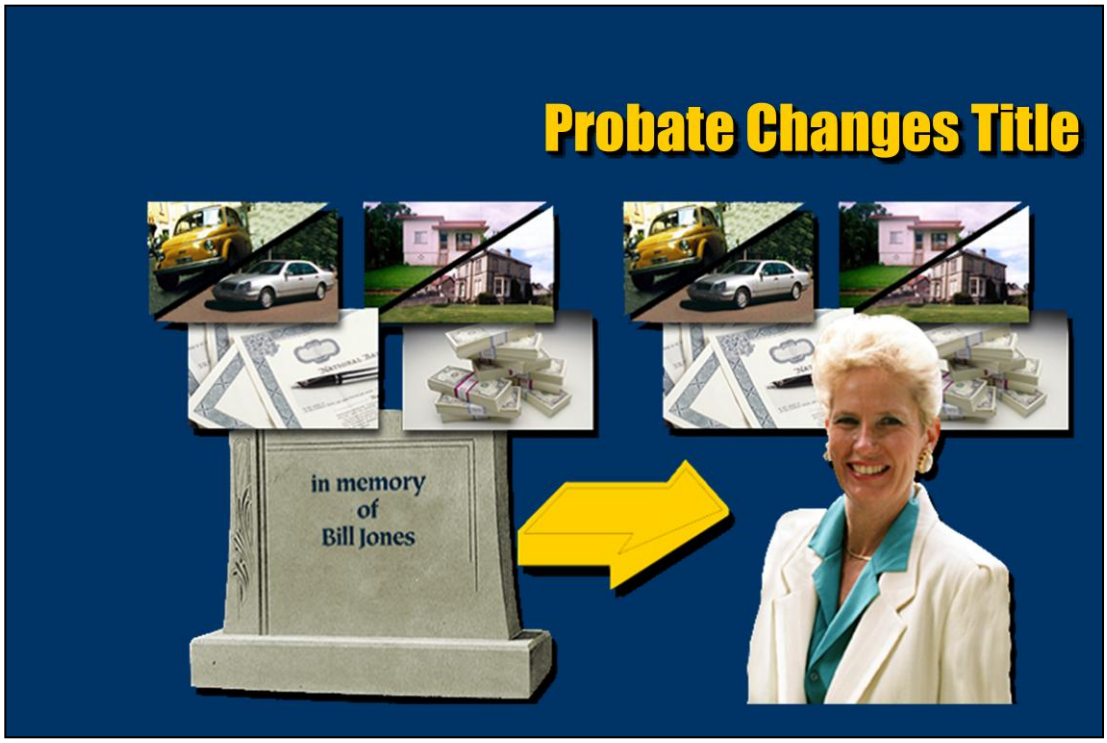
A lot of people are confused about this probate process and why it is even needed.

Basically, probate's main purpose is to change the title on the property you own.

If you pass away, and your family wants to spend or sell an asset, or refinance or lease an asset that is in your name, they can't do so until the name or title on the account or asset has been changed into their names.

That's the main purpose of probate.

In addition, historically, probate was created to make sure creditors were paid.



But the main purpose is to change title from the name of the person who passed away to the name of the living beneficiaries.

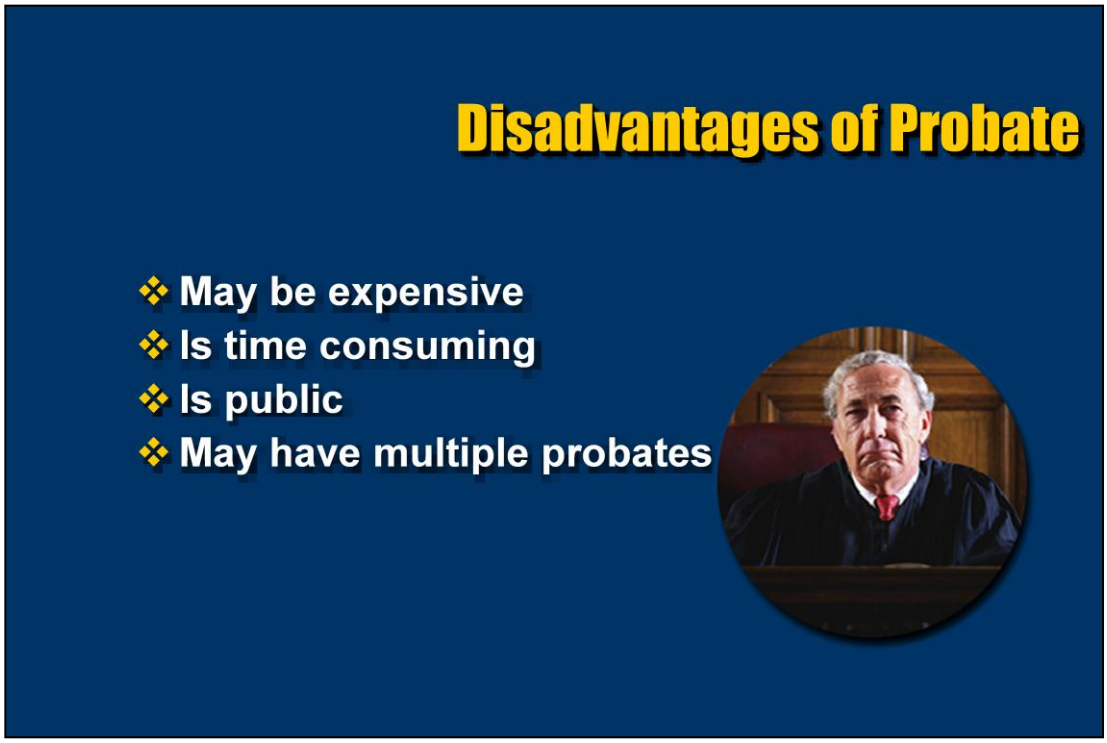
And when you think about it, if you want to change title on an asset now, you usually sign a document to transfer title.

But if you're not around, who can sign a document to change title? The only institution authorized to change title from the name of someone who has passed away to the living beneficiaries is the probate court.

There are some other things that happen in probate court. First, the court will resolve any disputes among family members or relatives. Have you all heard of will contests? What is the most famous will contest you have heard of? (*Howard Hughes*). The court resolves those disputes.

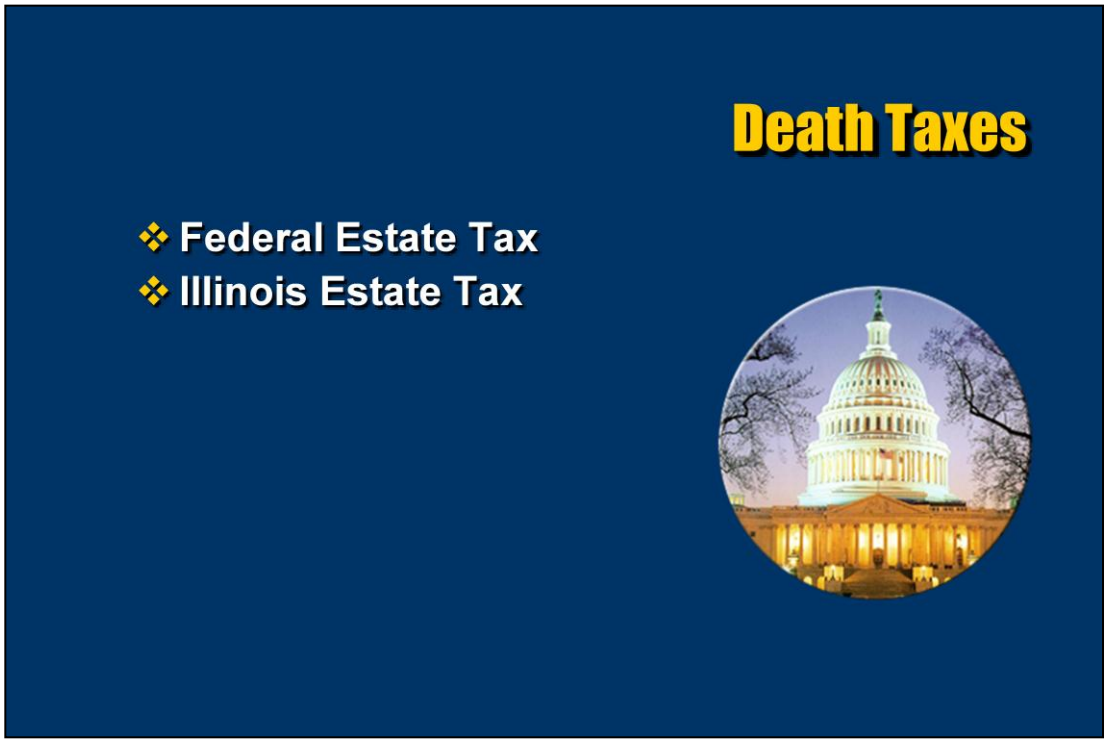
In addition, the court makes sure creditors are paid. Then a full inventory of all assets owned by the decedent is completed and an appraisal of the assets is made. And finally a distribution of assets is made to the rightful beneficiaries.

So, probate takes care of inventorying, appraising, and distributing your assets to the rightful beneficiaries. What's so bad about that? (*Expensive and time consuming)*. That's right, it can be expensive and time consuming.



So, probate can be expensive, time consuming, and it's a public proceeding. Plus, you should factor into the equation your exposure to multiple probates, if you have real estate in more than one state.

Now let's examine the third problem area. We have looked at the living probate or conservatorship. We have examined death probate. Now let's focus on death taxation.



Over the past decade, transfer tax exemptions, rates and planning opportunities have varied from year to year due to nearly annual changes in the laws. It is important to take a look at what Federal and Illinois legislatures have told us about Estate, Gift and Generation-Skipping Transfer ("GST") Taxes for 2012 and beyond as well as the uncertainty ahead.

The *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* (the "Act"), signed into law by President Obama on December 17, 2010, affects the estates of decedents dying between January 1, 2010, and December 31, 2012. The Act includes a Federal Estate Tax exemption of $5 million per individual, as well as $5 million exemptions from Gift Tax and GST Tax for 2011. Since the taxes were indexed for inflation, the exemption amounts will increase to $5.12 million for 2012. All three transfer taxes have a maximum tax rate of 35% through 2012. The Act also introduced us to the portability of the Estate Tax exemption, which allows the surviving spouse of a decedent to utilize the decedent's unused Estate Tax exemption amount. The portability feature will remain available to the estates of decedents dying in 2012 but has not yet been made permanent. Additionally, the annual Gift Tax exclusion remains at $13,000 per individual for 2012. Meanwhile, the annual Gift Tax exclusion amount for gifts made to a spouse who is not a U.S. citizen has increased to $139,000 for 2012.

Regarding Illinois' exemption, Governor Pat Quinn signed Senate Bill 0397 into law on December 16, which increases the Illinois Estate Tax exemption to $3.5 million for decedents dying in 2012. This is a significant increase to the state's exemption, which was only $2 million for decedents dying in 2011, and will allow greater flexibility in planning for the estates of Illinois residents.

Federal Estate Tax

Exclusion	Year
$5,120,000	2012
$1,000,000	2013

Illinois Estate Tax

Exclusion	Year
$3,500,000	2012
$4,000,000	2013

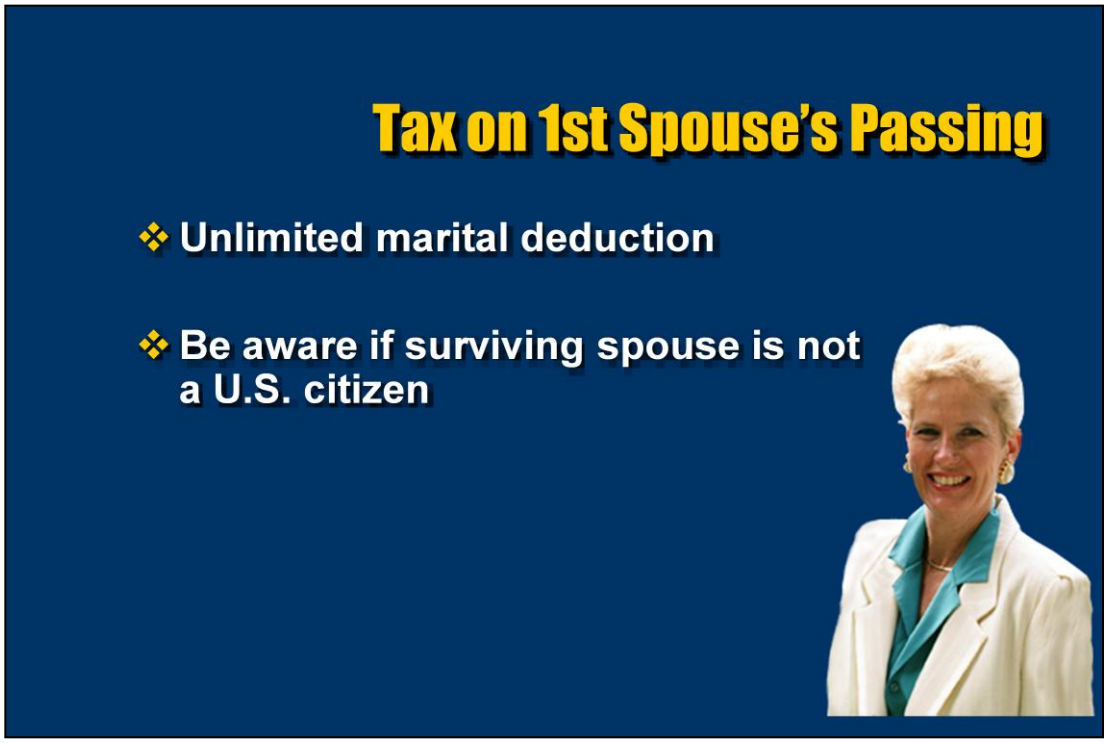
Confusing, isn't it? But you know what? Most people don't pay an estate tax under the current law. According to the IRS, only the richest 2% of Americans pay any estate tax. If you happen to be one of those 2%, we can show you how to plan to reduce or avoid the estate tax.

In addition, there are other significant non-tax reasons people plan ahead:

- Second Families
- Medicaid Planning
- Disabled Heirs
- Control Issues Related to Children and Those They Marry

(The son-in-law or daughter-in-law)

These issues are very real and very important.



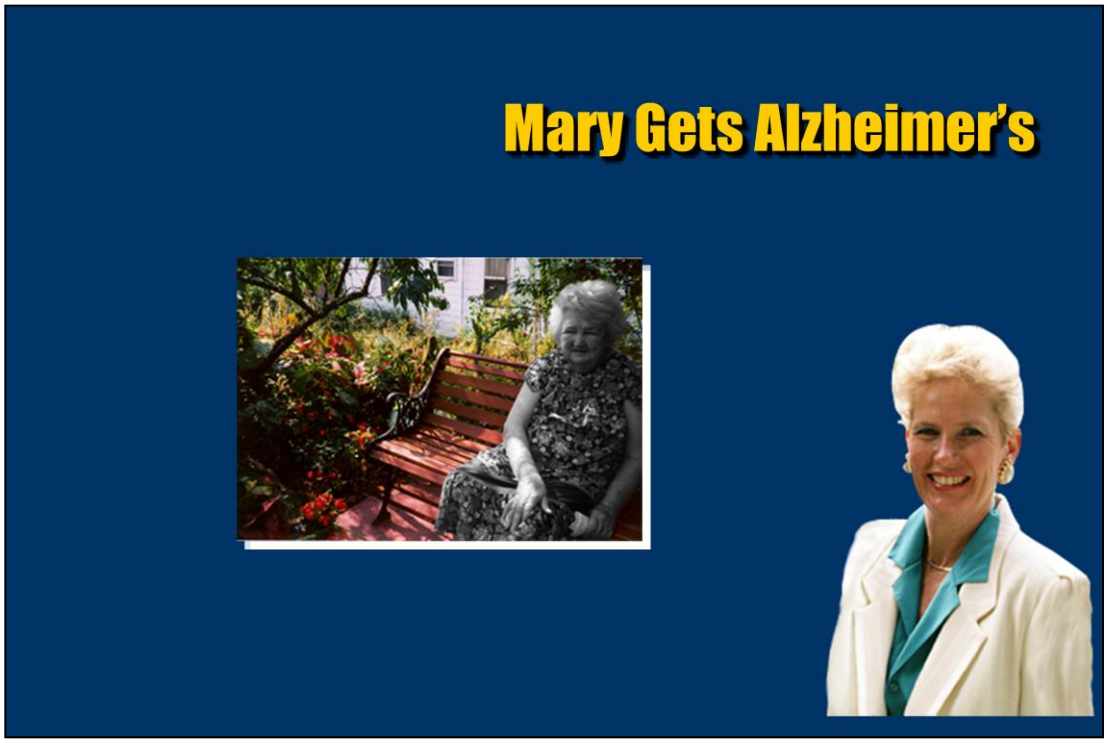
In addition to the $5,000,000 exclusion (and portability) that is given to everyone, a married person can pass all of his or her possessions to the surviving spouse, estate tax free. This is thanks to the unlimited marital deduction. As long as the property passes to the surviving spouse, there will be no federal estate tax. This is true whether you use joint tenancy or a simple will. However if you or your spouse is not a U.S. citizen there may be a tax unless you undertake some additional planning.

Even though there's no tax when the first spouse dies, many experts believe that the unlimited marital deduction lures married couples into a false sense of security. Why? Because it encourages them to put all their wealth in the surviving spouse's estate. The IRS hopes that by the time the survivor dies, the remaining estate will be taxable.

Many people mistakenly think, "If my estate is less than $5 million, I do not have to plan at all."

But that is a misconception. While it's true there is no estate tax problem under current law (except for Illinois Estate Tax), you still must plan for disability, and probate at your death! Remember, taxes and probate are two different issues and each must be addressed in your planning. And don't forget about possible second marriages, Medicaid planning, protecting disabled children and controlling spendthrift children and in-laws.

People plan primarily to protect their families. Tax issues are secondary.



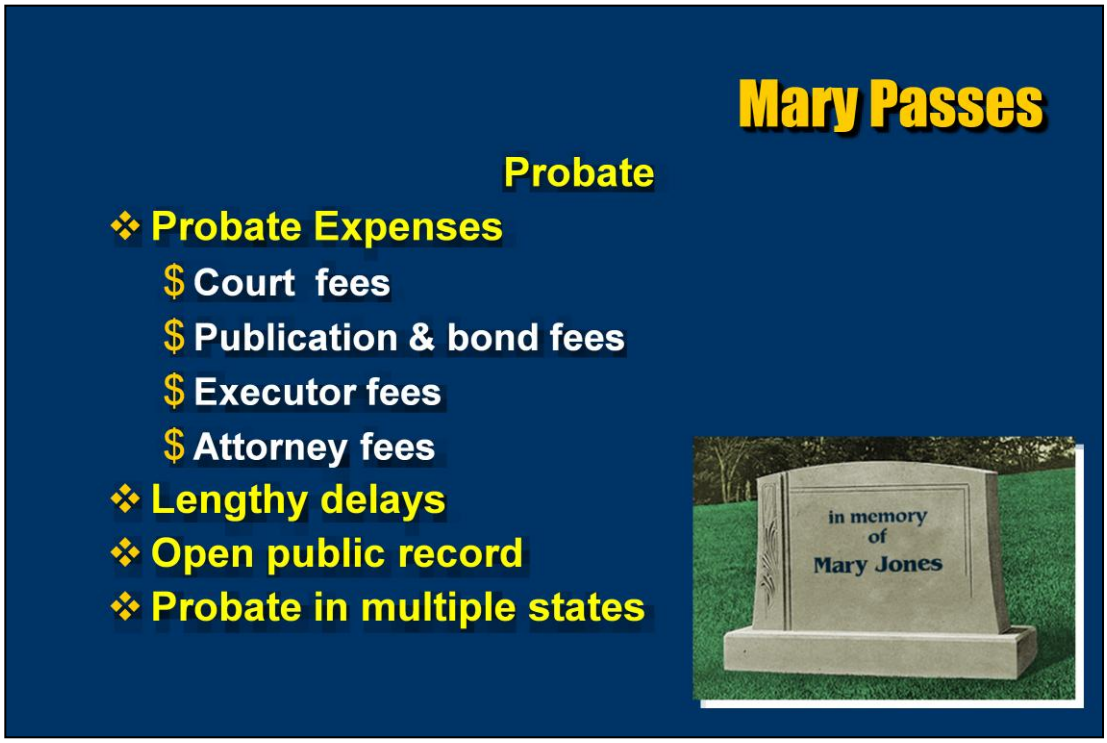
Unfortunately, after surviving Bill for about eight years, Mary develops Alzheimer's disease and has to be placed in a Nursing Home.

Remember that statistic, people aged 65 or older face a 43% chance of entering a Nursing Home, and of those who do enter a Nursing Home, 21% will remain there for at least five years. That's just a fact of modern life. So Mary is no longer able to handle her affairs.

Now we have another "living" probate, the process where the family has to go in front of the court.

The court will appoint the person who will handle Mary's affairs. Bill and Mary have two children. A daughter, Susan, who is a CPA and a partner in a successful accounting firm. She is happily married to a banker. Her brother, John, has never quite lived up to his potential. He dropped out of college and is chronically unemployed. He is heavily in debt and has had several unsuccessful stays at a drug rehab center. Who do you think the court will appoint? Do you want to leave it up to a judge, or do you want to determine who will handle your financial affairs if you are unable to do so?

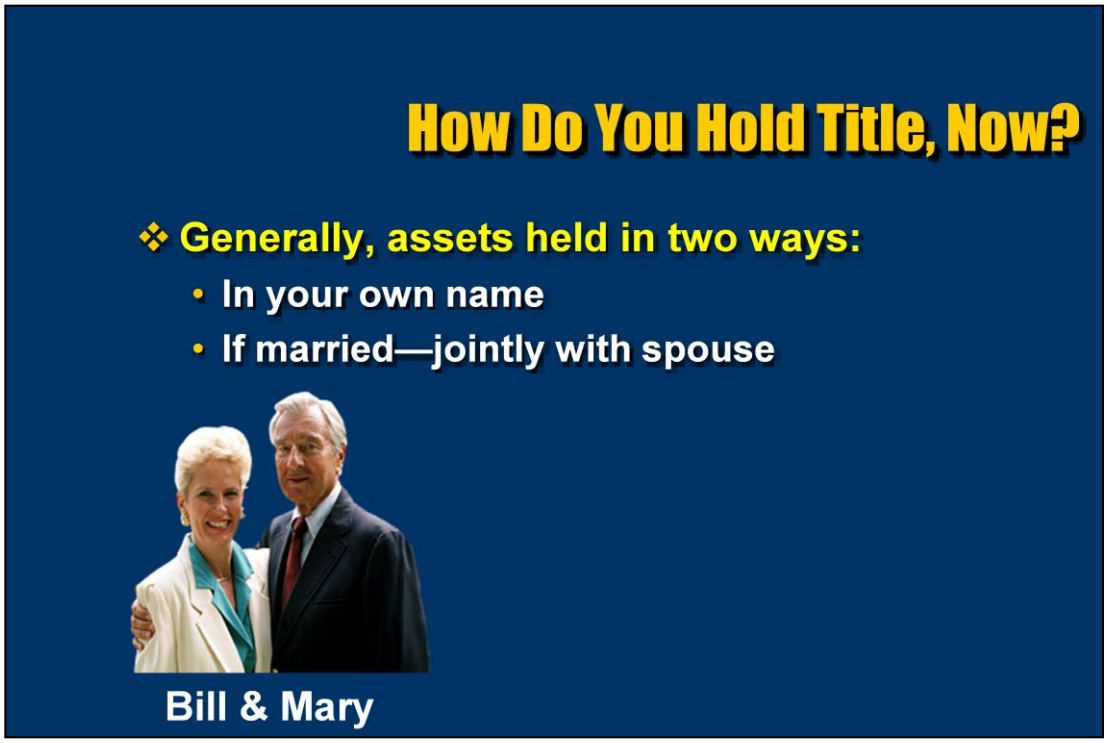
The fact of the matter is that Mary must go through a guardianship proceeding just as Bill did. As we discussed before, this can be publicly humiliating. It allows the court to take control of your affairs rather than someone you choose. It takes a lot of time and is very aggravating. It also involves a lot of expense. You see, joint tenancy or a will does nothing to avoid this living probate.



After a prolonged stay in the Nursing Home, Mary finally passes away ten years after Bill. Can Mary's estate just be distributed to their family at this point? No, because Mary's assets—all of them—must now go through the death probate process.

Your plan can be will based or trust based. A living trust is a complete will substitute. In many respects it's very similar to a will. It is a legal document that sets forth who will manage your estate after your death and how it will be distributed. All of those things are identical to a will. So what is the big difference?

To understand a living trust, think of it as a box. It is a box we create for you. And in it, we transfer your assets. To make it simple, a living trust is just another way to hold title to assets you own.



Right now, Bill and Mary own their assets jointly. If I went around the room right now and asked each of you, “how do you hold title to the assets you own?” Each of you would probably answer in one of two ways: You own assets in your own name or you own assets jointly with your spouse.

Isn’t that true?

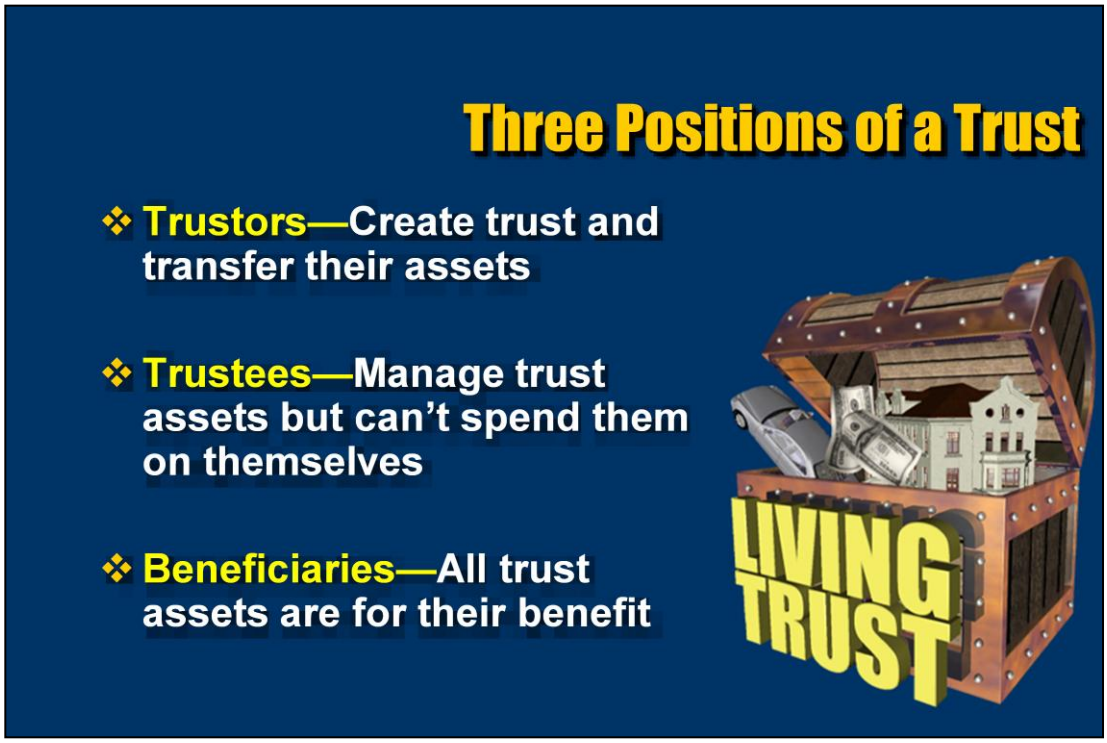
Instead of holding title to your assets in your name or jointly with your spouse, you will transfer ownership to the name of your own living trust. Remember, the trust is just another way to hold title to our assets.

So when creating your trust, we have a two-step process. First, we create the trust—the box—and second, you must put each asset into the name of the trust. This second step is known as funding the trust.

So, what we need to do is take each asset Bill and Mary own and transfer it to their living trust.

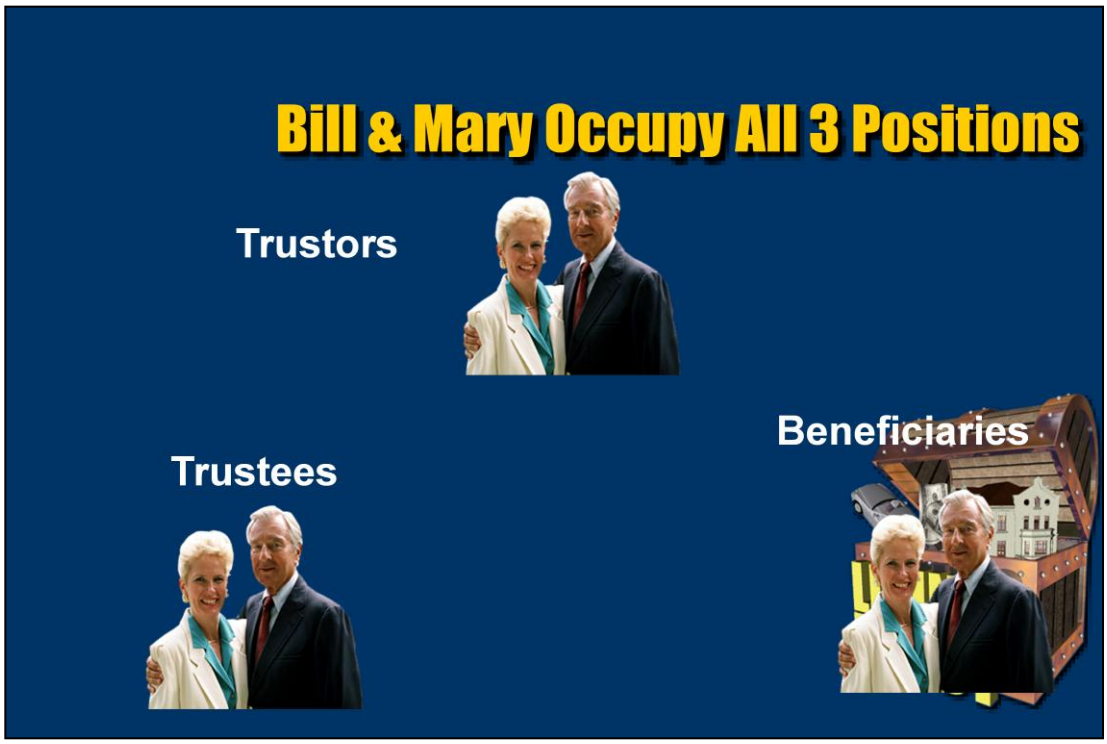
For example, let's start with their residence. We prepare a deed which will transfer the property into the trust. Then we record the new deed with the County Recorder.

I can't emphasize enough how important this funding step is. The reason many trusts do not help people as much as they could is simply because the assets were never transferred into the trust. Remember, at the beginning of this workshop I told you that most living trusts don't work. Well, this is the reason they don't work. The people forgot to transfer the title to their assets into the trust. The box was empty.



Now is a good time to take a closer look at the trust itself. There are three positions in a trust: the trustors, the trustees and the beneficiaries. The trustors are the people who owned the assets transferred into a living trust. The trustees are the people who manage the assets in a living trust: buying, selling, trading, exchanging the assets in the living trust. The beneficiaries are the people who have the right to spend the money in the living trust, and have the right to use the assets.

By the way, if you have a choice between being the trustee and the beneficiary, you know which one you want to be. That's right, you always want to be the beneficiary.



Now, let's take a look at the living trust created by Bill and Mary and see who fills each position. Bill and Mary created the trust and transferred their assets, so Bill and Mary are the trustors. Now, who do you suppose will manage the assets of the trust? (*Wait for audience response, which should be "Bill and Mary."*) Next, during Bill and Mary's lifetime, who do you think will spend all the money and use all the assets of the living trust? (*The audience should respond, "Bill and Mary."*)

So, Bill and Mary are in each position. They act as trustors, trustees and beneficiaries. Who controls the trust? That's right! Bill and Mary control all the trust assets and are in complete control of the trust.

In other words, after you've set up your trust, everything is still business as usual. The only thing that has changed is title. You can still buy, sell and refinance assets, and open and close investment accounts. There are no new income tax forms to file. Your income taxes are filed just as you do now. Your property tax bill doesn't change.

And just in case you change your mind about anything or the laws change, you can even amend or change the trust, or completely revoke it if you like.

So you might ask at this point, "Why would we go to this extra step to create a living trust and transfer our asset titles into it if nothing has changed?"

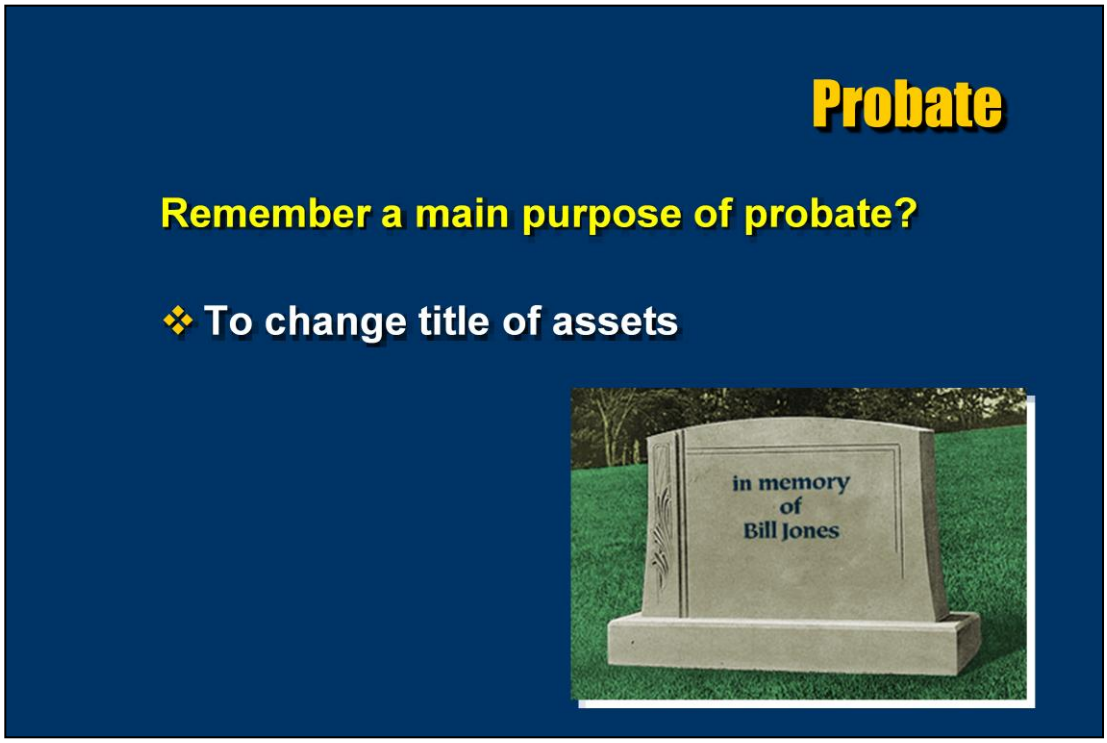
Simple. Something very important has changed. That trust now holds title to your assets and sits there silently, invisibly, ready to act if something happens to you. We can describe what a living trust is in just two words.

It is a "standby device." If you become ill, disabled or die, the person of your choosing will be able to step in immediately and act without having to go through court first. That's because your trustee looks to the instructions you put in your trust for guidance, not the courts. There does not have to be any court involvement.

But what happens if Bill has a stroke? Who will have control of the assets? Will Mary have to go to court and go through the living probate, the conservatorship or guardianship proceedings?

Here's good news: with a living trust, there is no guardianship proceeding.

When Bill has the stroke, there's no public humiliation of parading him into the probate court. The person he wants to manage his affairs is in control. In this case, it's Mary. There are no time delays, because Mary is already the trustee and takes over immediately. There are no needless expenses, no court and attorney fees involved with the living probate and no accounting fees. In other words, with a living trust, Bill escapes living probate. And so he and Mary are spared all the costs associated with a guardianship.



Bill finally passes away. Will his estate go into probate? There is no probate at this point. “Do you remember the purpose of probate?” (*The audience should answer, “To change title of assets.”*) (*Add*) “Does Bill have any assets in his name?” No, all the assets are in the living trust. We don’t need the probate court’s help to change title because all assets are already titled in the name of your living trust. That’s the technical reason we avoid the entire probate process.

When there is no probate, we're able to avoid all of the expense of probate. There will be no court fees, no publication or bond fees, no executor fees, no probate attorney fees.

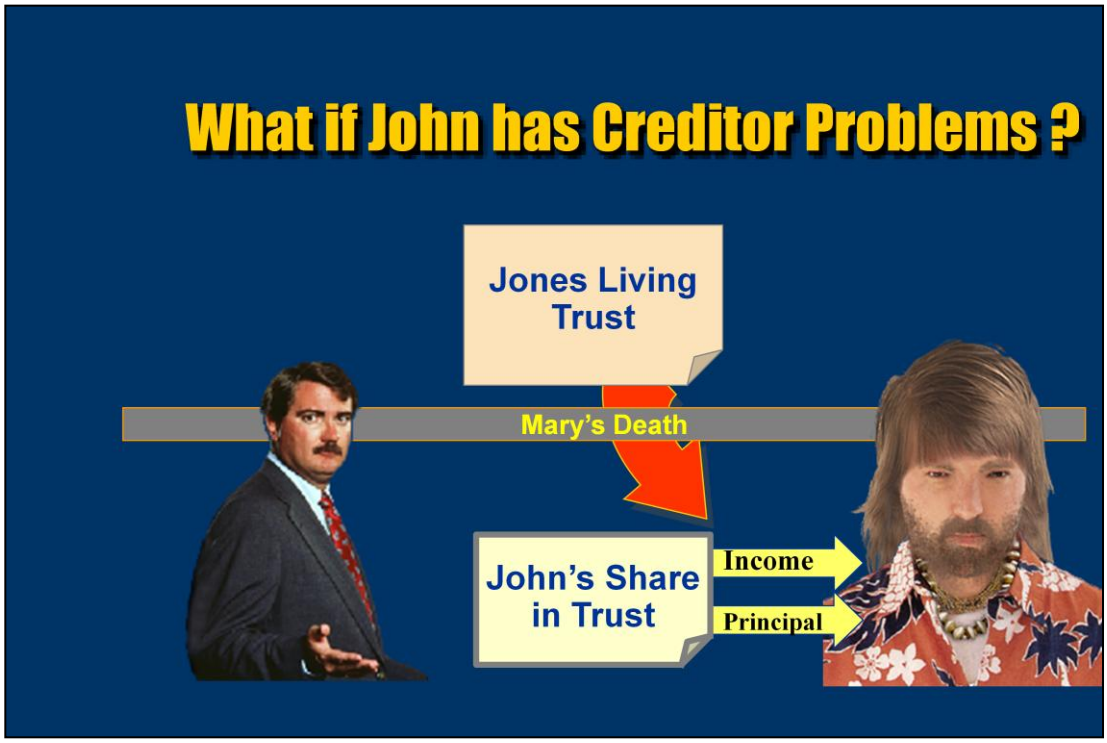
In addition, your assets are not tied up in a lengthy probate process.

Also, there's no public record. Everything remains private. So now, your neighbor next door can't go check out your probate files because you have a Living Trust. Steve Jobs knew this and created a Living Trust to preserve his privacy. Because his Living Trust shielded his estate's financial information, no one has any idea where or how his estate was distributed. The same thing is true with Frank Sinatra and Bing Crosby. A few days after Frank's death his attorney was interviewed and he told the press that Mr. Sinatra had created a Living Trust several years before and that none of his estate information would be available to the public.

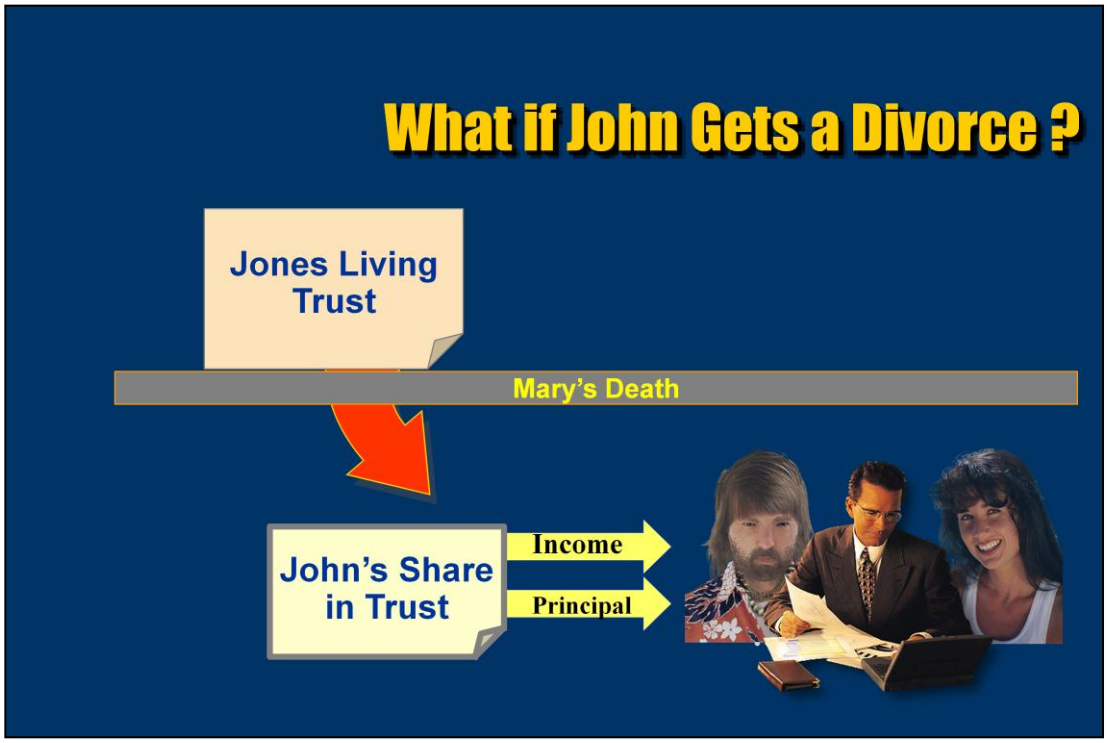
Now, after Bill has passed away, Mary gets Alzheimer's disease and has to go to a Nursing Home. She can't manage her own affairs any longer.

Who will be in charge of the Survivor's Trust and the Family Trust at this point? (*People in the audience will have different responses. Let them respond.*) Well, the person in charge will be whoever Bill and Mary have named in the living trust to be the successor trustee in the event Bill has passed away and Mary is disabled. In this case, Bill and Mary have named Susan to be in charge. Will Susan have to go to court to get the authority? No, all the instructions for her to act are already set forth in the trust. Therefore, we avoid possible public humiliation, loss of control, time delay, and there are none of the typical expenses of going through the living probate process.

It's fine to guardianships and probate, and even save on taxes, but Bill and Mary are frankly more concerned about protecting John from quickly wasting his inheritance on drugs and alcohol. We set the Living Trust up so that after Bill and Mary both died, Susan will get her share directly because she is mature and responsible. However, John's share was retained in the Living Trust until he gets older and grows up. Meanwhile, Susan can manage John's share as the Trustee and she can distribute whatever she thinks John should have to live on every year. When he's a little older and more mature, he can have what's left. When Bill was asked when he thought John would grow up? After some thought. Bill finally said "What about age 60?" Then he added, "Yeah, I think John will grow up by then, hopefully!!"

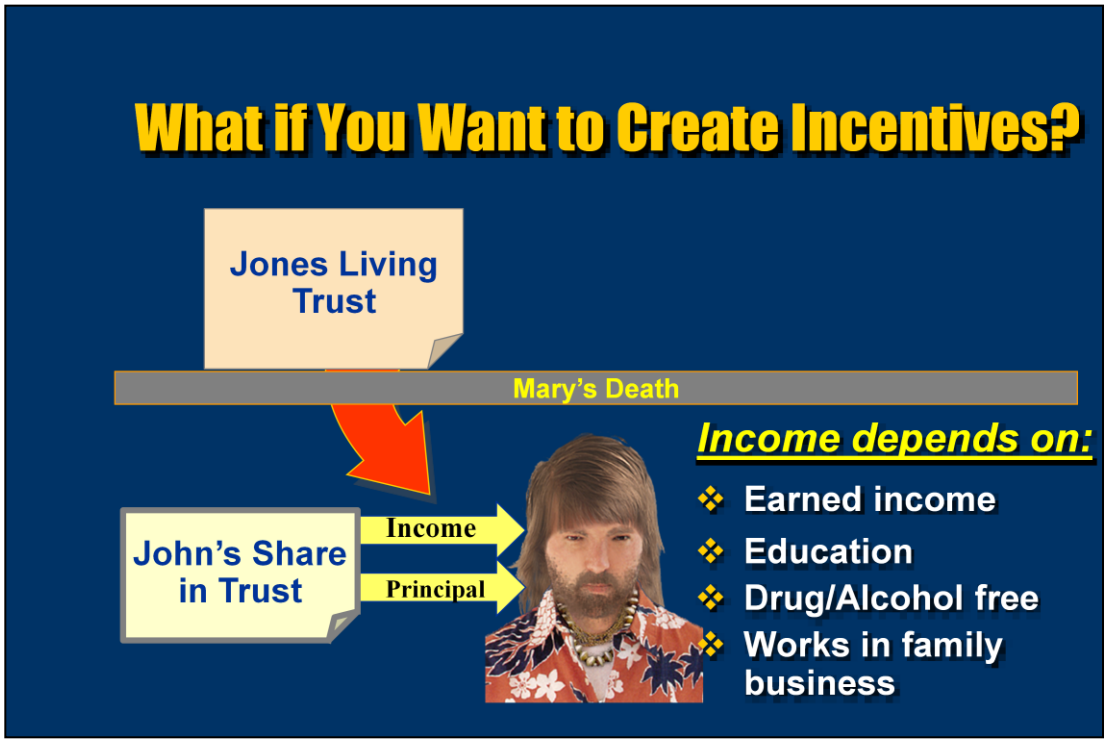


Now, let's talk about another major area of concern. Creditors. What if John had creditor problems? What if he owed the IRS a lot money? If you leave him an inheritance, what's going to happen to that money? *(Let audience respond*) That's right! The IRS and other creditors will just jump in and take it. So, in that situation, you could leave John's share in the Living Trust. The trust could allow the Trustee to distribute money as John needs it to live on. That way, the Trustee could distribute the money out as John needs it, but the creditors wouldn't be able to seize it all.



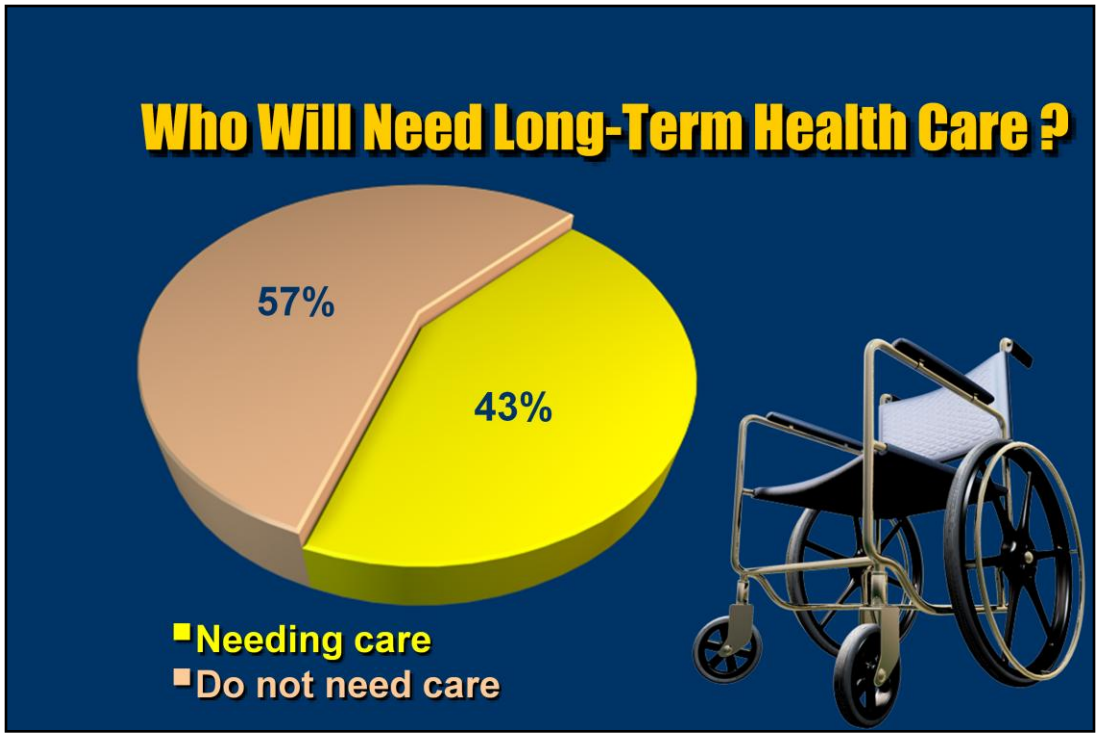
OK, let's talk about another area we all know about but don't like to talk about. What would happen if your son or daughter was in a bad marriage? Maybe no one here has this situation, but you may know someone who does. What if you die leaving your child an inheritance and they end up getting a divorce? Did you know that your child's spouse may be able to get part of it. Again, if you are in that situation, you may want to leave the inheritance in the Living Trust and let your child act as a Trustee of that trust. Your child could withdraw funds from the trust as needed, but as long as funds remain in your Living Trust the divorce court won't have jurisdiction, and the divorcing spouse can't get it.

Now, what if you have a disabled beneficiary who is receiving government benefits through SSI or Medicaid? If you leave them an inheritance, what is going to happen? Well, the plain truth is that all the government benefits will stop until the inheritance is used up. To protect yourself, you would want to leave it in a Special Needs Trust. This is a special trust that protects the assets and holds them aside for the beneficiary's special needs. Even though there are funds in the Special Needs Trust, your beneficiary will continue to receive those government benefits. This kind of trust must be specially drafted to protect assets for these vulnerable beneficiaries.



Many clients want to set up incentives within their Living Trust to encourage children to act in a certain way. There are a lot of different ways to give your beneficiaries incentives. We had one client who came in and wanted protection built into his Living Trust that would reward his son like John. He was afraid his John would immediately quit his job, become a bum and live off the trust income. We set up his estate plan so that in order for John to get any money out of the trust every year he has to bring his W-2 into the Trustee. The instructions in the Living Trust directed the Trustee to distribute to John an amount equal to his earnings on his W-2 each year. So, if John makes $10,000 on his job, the Trustee will write him a check for $10,000. If he makes $20,000, he'll get $20,000. If he makes nothing, he'll get nothing. That way, our client felt sure that John would not just quit his job and live off the trust. Now, the Living Trust does say when he gets to be a certain age he will get what is left.

While it's important to have a good estate plan, it won't be of much value if all your assets are eaten up by medical expenses before you die. Anyone who has read a newspaper or watched the evening news over the last few years knows all too well that there's a health care crisis looming in our country. And the older we get, the more likely we are to experience this problem head on. Most of us think that the worst thing that can happen to us is death. Unfortunately, for much of our lives we are far more likely to become disabled than to die. And as we age, our odds of disability increase dramatically.



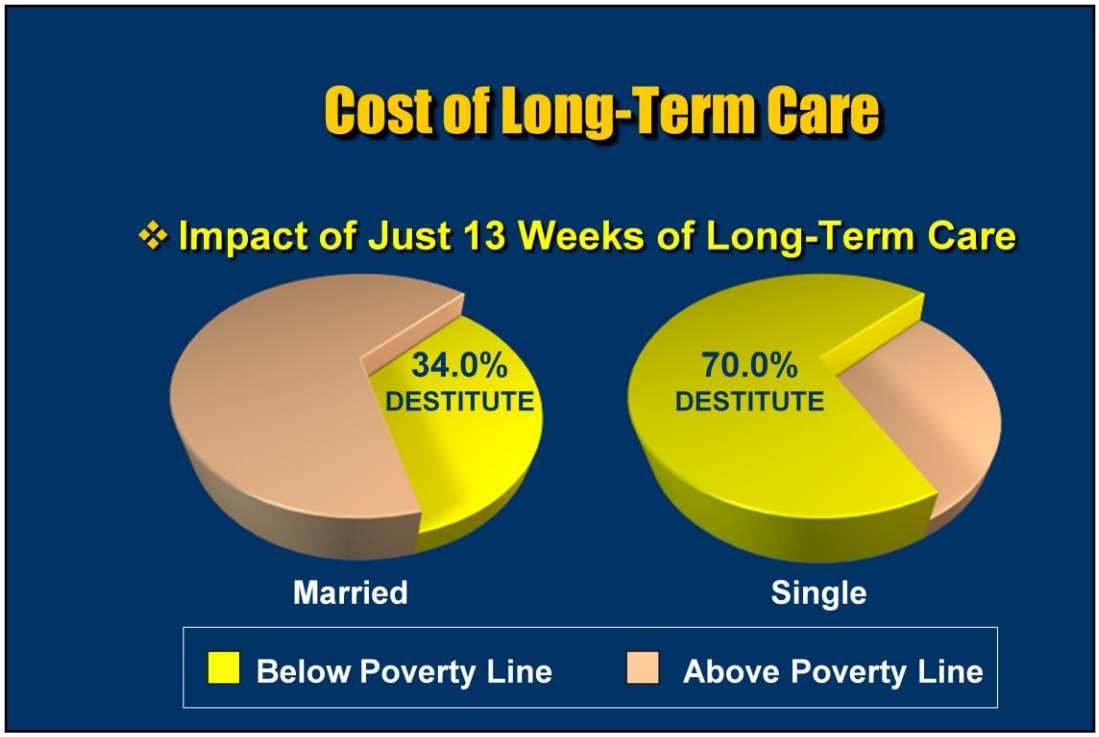
Advancements in medical science have proved a mixed blessing. Although these advancements are keeping us alive longer, we're not necessarily living better. In fact, medical intervention can extend our lives 10 or 15 years, even though we may be in poor health.

For many older Americans, poor health does not require expert medical care, but instead help with the most basic tasks of everyday life. As this chart shows, if you're over 65 you stand a forty three percent chance of needing long-term care at least once before we die.

Think of it: a forty three percent chance. If you had odds those good with the lottery, you'd buy a dozen tickets every week. And yet, most of us neglect to plan for a contingency that almost half of us in this room will probably encounter. Look to the person next to you. Chances are that person will need Long term care. Funny thing is—who was your neighbor looking at? That's right, you. This is not about someone else. You have as much chance as the person sitting next to you to need prolonged care in a Nursing Home.

And, if we are forced to spend our final years in a Nursing Home, how much will it cost? Well, if you call around to the Nursing Homes in our area, you will find that the cost, on average, is about $54,000 to $78,000. And guess what—each year we can expect the costs to go even higher.

You may be thinking—Wait a minute—people have to pay $54,000 to $78,000 PER YEAR for Nursing Home care! That's a lot of money! Ordinary people can't afford to pay that.

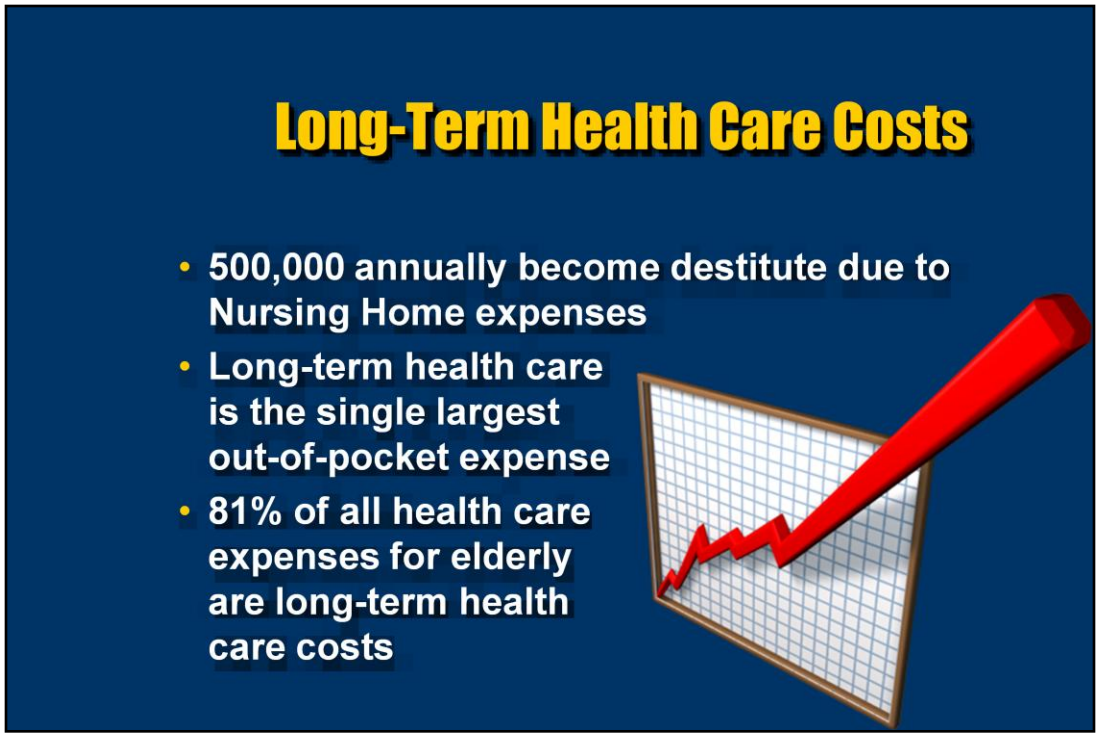


Well, you're right.

In fact, studies show that 34% of married couples with one spouse in a Nursing Home will be destitute within 13 weeks. Half will be impoverished in one year.

It's even worse for those who are single. 70% of those living alone will be impoverished in just 13 weeks.

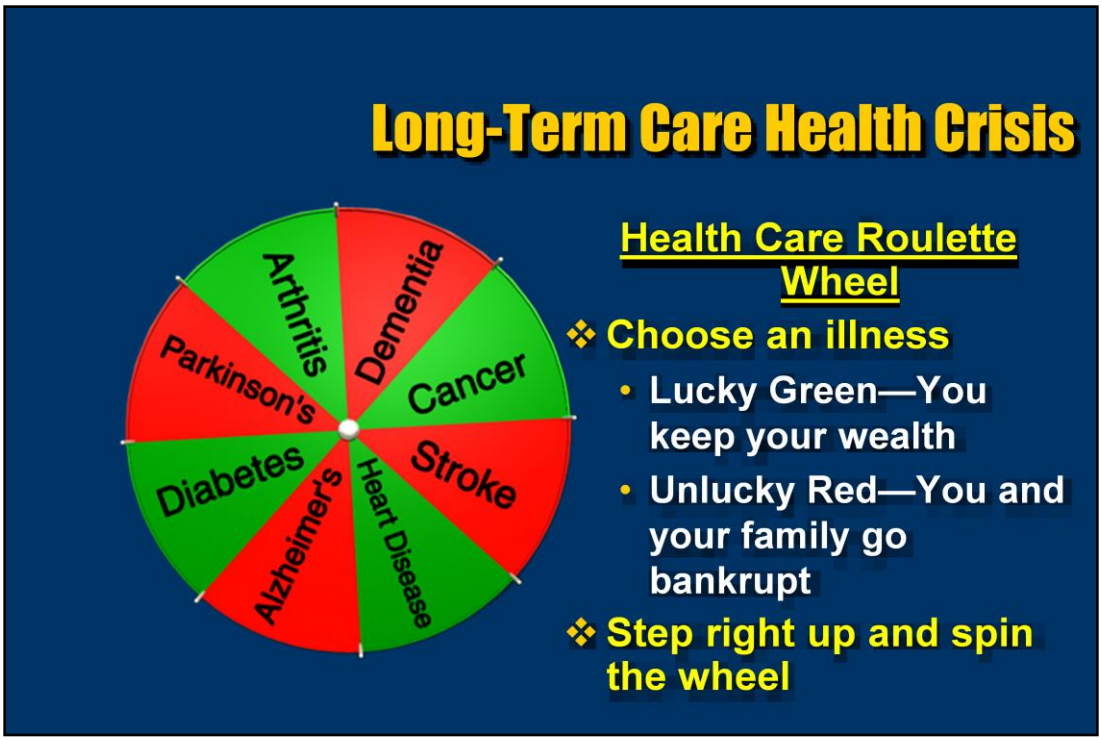
Those are conservative numbers. According to the Congressional Subcommittee on Aging, 79% to 80% of Nursing Home residents deplete their assets within twelve months.



Just to show you how widespread—and devastating—this problem is, consider that each year more than 500,000 elderly Americans become destitute, thanks to the burden of Nursing Home care. That means they've gone through their entire life savings until they literally have nothing left.

Is it any wonder that Long term care costs represent the single largest out-of-pocket expense for the elderly? Today 81 cents out of every dollar spent on health care for the elderly go for this type of care.

So, as we go on with our discussion let's be very clear about what truly is the greatest financial threat of our later years: it's Long term custodial care.



While our discussion will focus on the dollars and cents of Long term health care, it's important to remember the human side of this issue. It puts the problem in the proper perspective.

However, the real tragedy is the way our country rations health care support. If you're "lucky" enough to come down with a disease like heart disease, or cancer, or a brain tumor, the government will pay for most of your medical bills through programs like Medicare. You pay a small deductible and your family gets to keep all of its wealth. If, on the other hand, you're unlucky enough to have a paralyzing stroke, or Alzheimer's disease, or Parkinson's disease, or any condition that prevents you from looking after yourself for a prolonged period of time, you're out of luck. There are no comfortable middle class programs like Medicare to help.

As you may have already figured out, if we do not plan:

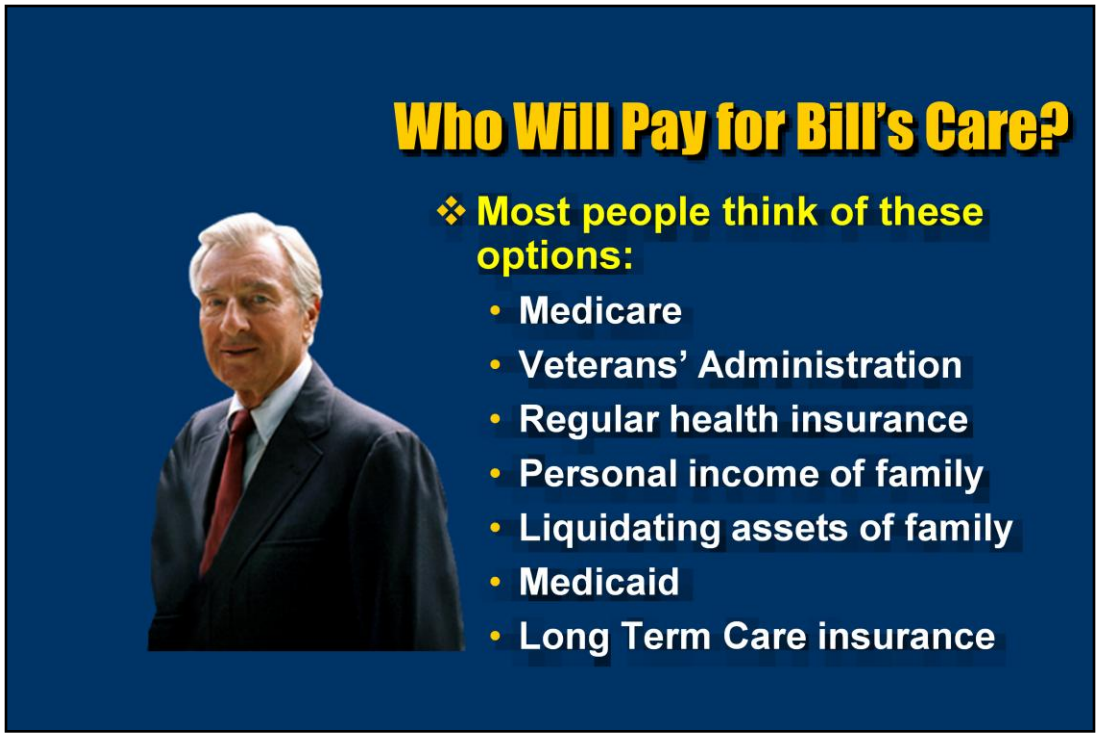
- BEFORE we become disabled, BEFORE we need long term care, and BEFORE we go into a Nursing Home. It may be too late to plan effectively later.

These days, failing to plan ahead is risky to say the least. Who here today would think about withdrawing your life savings, taking a trip to Las Vegas, and gambling it all to win a jackpot that would give you enough money to provide for any of the problems which may be thrown your way? Very few of us, right? Well, failing to plan ahead is actually a greater gamble.

Remember our friends, Bill and Mary? Bill suffered a stroke so he can't take care of himself any longer. Is Mary going to be able to care of Bill? Well, she has other responsibilities, and Bill needs to have someone available to help him at all times.

This means that the family must face the difficult decision of whether Bill should go to a Nursing Home.

After discussing their options (they really don't have any other options), the family decides that Bill will go into a long term care facility.



Remember, the cost of the Nursing Home care is $_____ to $_____ per year in our area. Who is going to pay for Bill's care?

Most of the people think that there are many options available for paying for Nursing Home care. Let's look closely at just what they will—and will not—do for Bill.

First, of course, there's Medicare.

If Bill was a vet, there's the Veterans' Administration.

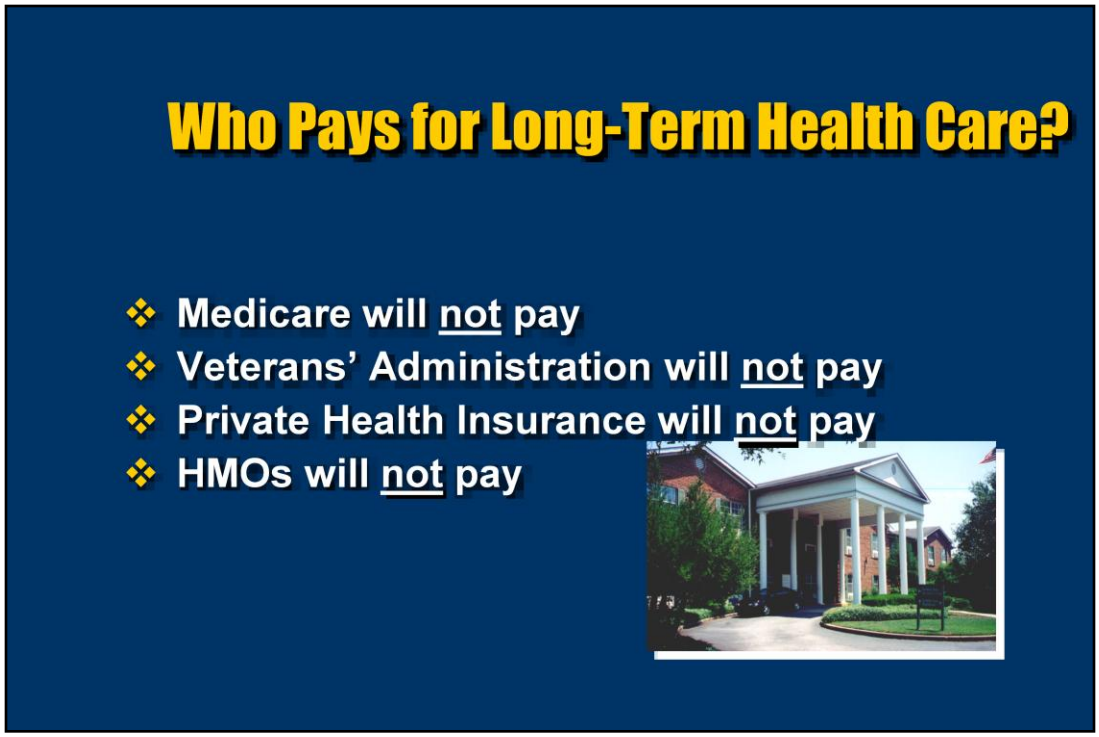
Bill has Blue-Cross/Blue-Shield health care insurance, maybe that will pay.

Of course, they can always pay out of the family's income, or if that's not enough, they can liquidate assets.

And, what about Medicaid, the federal and state welfare program. Will they pay?

Finally, if they were wise enough to plan ahead, a Long Term Care insurance policy will cover these expenses.

Let's look at each of these options.



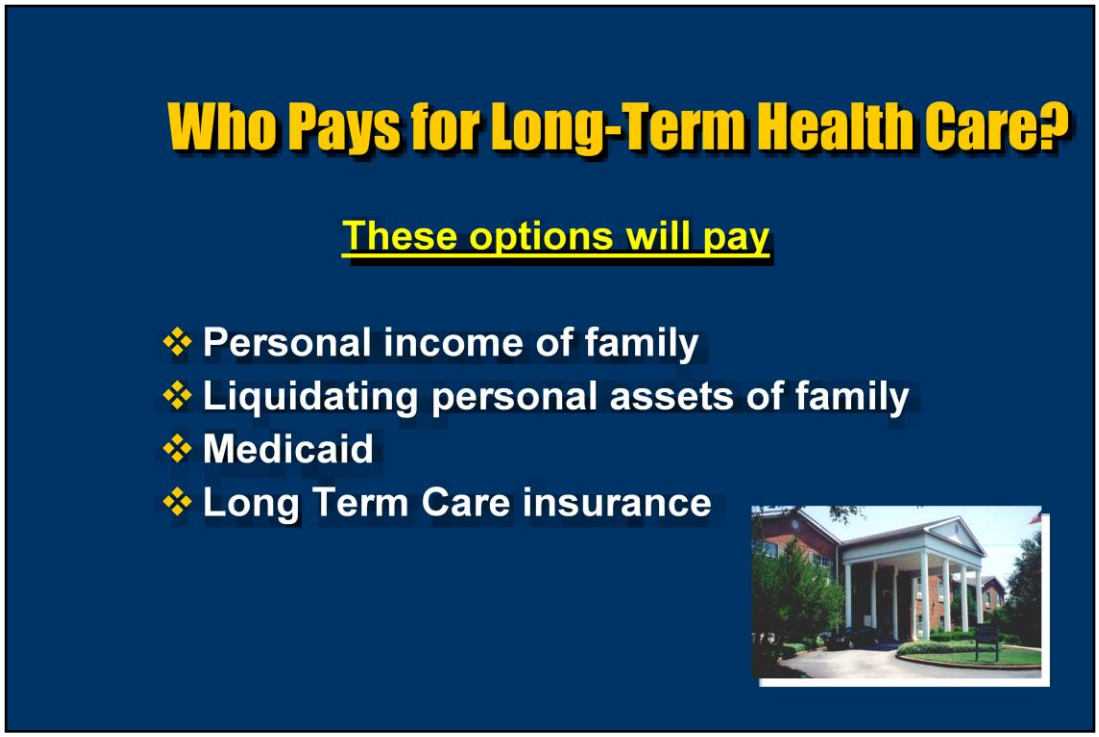
Some people are shocked to realize that Medicare does not cover long term care or Nursing Home costs. It offers little help, paying only for 20 days in a skilled nursing facility and only for part of the cost for the next 80 days. But even these payments require a hospital stay of 3 days or more. Without a hospital stay, Medicare pays nothing for simple, long term custodial care.

A VA pension is available for Veterans over that age of 65. Availability of the pension is based on asset and income tests. If you are interested in this area of law please call us. We are a VA Approved Attorney.

Private health insurance and HMOs do not cover long term care expenses either.

I hope we haven't depressed you too much, but the shocking truth is that the assumptions of most Americans about Long term health care financing are wrong.

Well, if these payment options will not work, what WILL PAY FOR THE COST OF LONG TERM CARE?



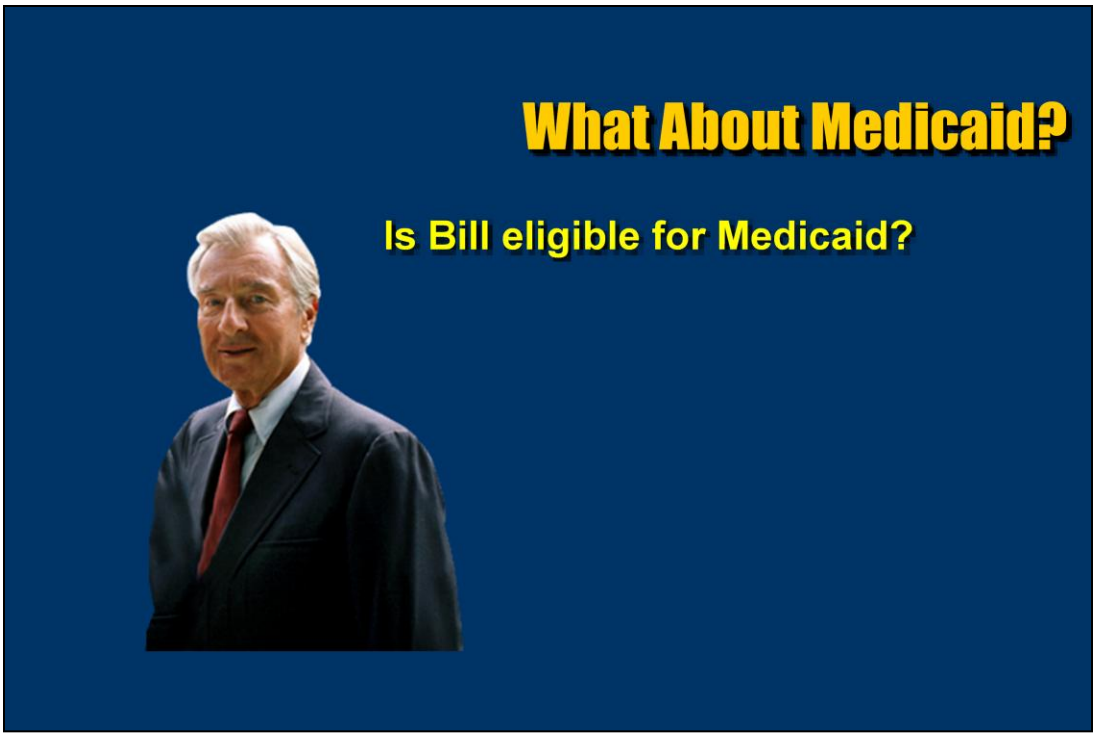
Bill really has only four options.

First, of course, he can pay for Long term health care out of his own pocket. Based on national averages, Bill will need an annual income of at least $_____ to $_____ just to pay his annual Long term care bill. And that's simply not realistic for most people.

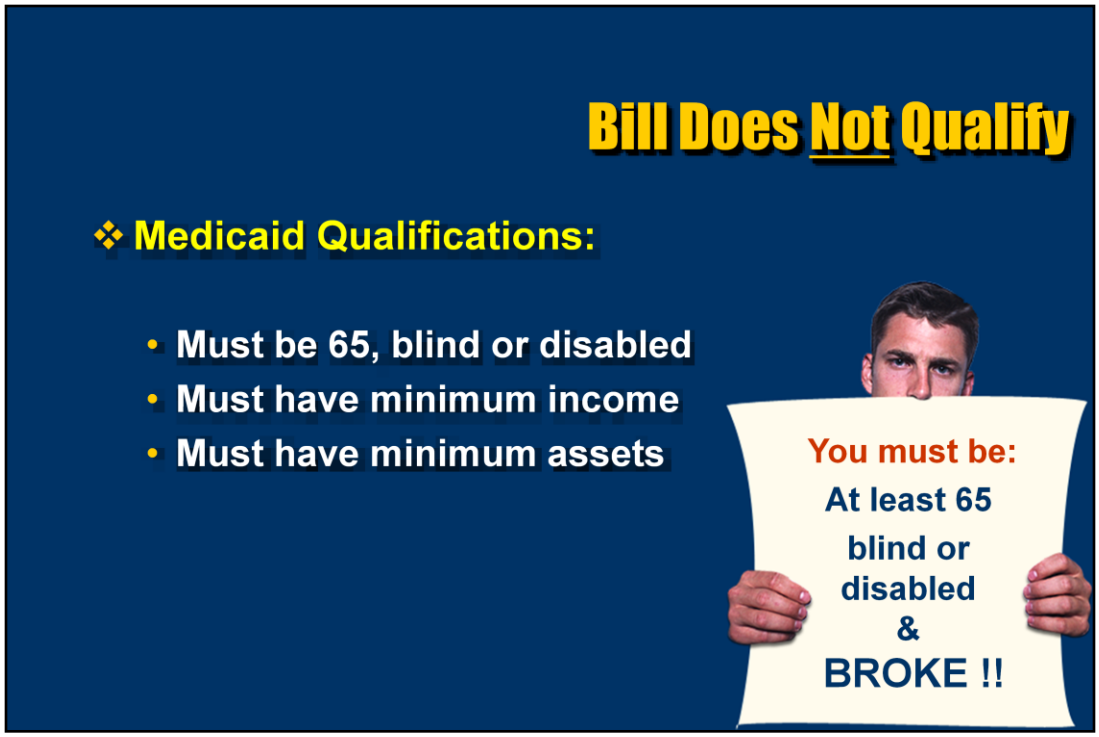
Or Bill can use the family's assets to pay for his care. But as we saw earlier, if Bill's stay in a Nursing Home for several years, he could very well be bankrupt. So, even if Bill liquidates his life savings and accumulated assets, it still may not be enough.

Medicaid pre-planning or crisis planning is also an alternative. Visit our Blog for an update on new Illinois rules effective January 1, 2012.

Finally, you might consider purchase of a special Long Term Care insurance policy.



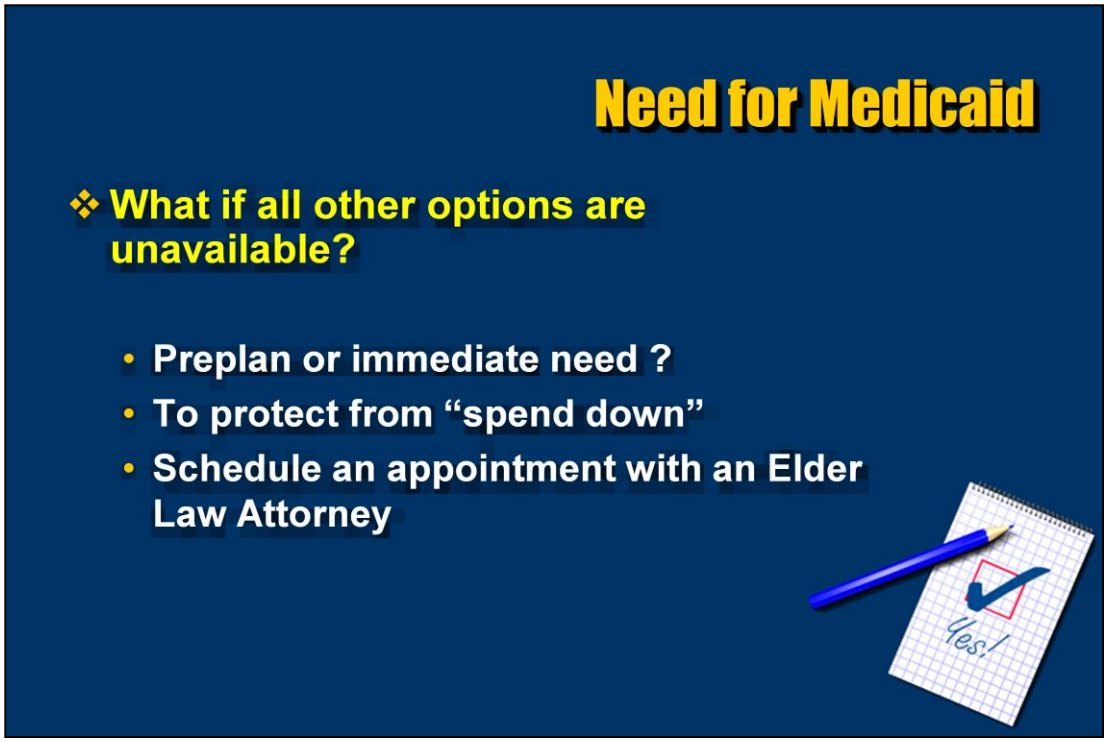
Once we understand what is available to Bill to pay for his long term care, we realize that Bill would rather NOT spend all of his money on long term care and possibly end up destitute. Let's look at Bill's chances of qualifying for Medicaid, the government's welfare program for long term care. Is Bill eligible for Medicaid? Let's take a look.



The bad news for Bill is that he does not qualify for Medicaid. The only point he meets is that he is over 65 and disabled. In order to be eligible, a person must meet three requirements:

- First, the person must be 65, blind or disabled—Bill meets this requirement;
- Second, the person must have minimum income—because of the interest off of his accounts, Bill doesn't meet this requirement; and
- Finally, the person must have minimum assets—typically no more than $2,000 in assets in the Medicaid applicant's name. Bill has a lot more than $2,000 so he does not qualify for Medicaid.

However, statistics show that many people who start out with assets as they enter a Nursing Home soon become destitute and then qualify for Medicaid coverage. Not a rosy picture.



If you have an immediate need for Medicaid and you're afraid that all of your assets will be depleted, we can help. The details are beyond the scope of this workshop, but if you indicate on your Evaluation that you'd like information on protecting assets before you apply for Medicaid we will schedule an appointment for you.

However, if you do have time to plan, what about Long Term Care insurance? Is this something you should investigate?

Consider Insurance

Insurance is designed to minimize risk

Risk	Solution
House burning down	Fire Insurance
Injuring others	Liability Insurance
Becoming ill or injured	Health Insurance
Dying leaving family destitute	Life Insurance
Losing everything to Nursing Home expenses	Long Term Care Insurance

Why is insurance a necessary part of our daily lives? It boils down to one word, risk. We've identified certain areas in our lives where we have risk, and to reduce that risk we purchase insurance. It's every where. We see the risk that our house may burn down, so we get fire insurance. We see the risk that we may get into an accident driving our car, so we get auto insurance. We see the risk in getting ill, so we get health insurance. No sane person would buy a house without fire insurance or drive a car without liability coverage. Yet the risk you assume in those areas are not that great. What are the odds your house is going to burn down? What are the odds you're going to get in an auto accident?

But when we look at long term care, statistics tells us that 43% of those over 65 will enter a Nursing Home and about 50% will be destitute within a year. Now, those are some real odds. It's not the loss of a home or the liability for injuries, it's the loss of every asset you have. Pretty big risk, don't you think?

Of course, whether you actually purchase Long Term Care insurance is a business decision that only you can make. What we want to do in this workshop is make you aware of the risk and explain costs and benefits of new policies on the market. We want to make it easy for you to get a quote on a policy that will protect you and your family. At least that way, you can make a decision based on the real facts. Because we've seen the life savings of so many families wiped out because of these expenses, we want you to have the benefit of their experiences.

Long Term Care Insurance

What's Covered—What's Not?

- Nursing Home custodial care
  - Skilled and non-skilled services
- Home care services
  - Skilled and non-skilled services
  - Physical therapy
  - Homemakers & home health aides
- Assisted living
- Adult daycare
  - Caregiver respite care
  - Physician directed alternate care
  - Some home modifications

Not Covered

- Preexisting conditions
- Some mental disorders
- Alcoholism/Drug abuse
- Self-inflicted injuries
- Acts of war

Most long term care policies will pay benefits either when the patient can't perform a certain number of "activities of daily living" (ADL) like bathing, dressing or eating, or when care is medically prescribed by the patient's physician. Today's policies cover skilled, intermediate, and custodial care in state-licensed Nursing Homes. They generally cover home care services such as skilled or non-skilled nursing care, physical therapy, homemakers, and certified home health aides. Many policies also cover assisted living, adult day care, and other care in the community, physician directed alternate care and respite care for the caregiver. Coverage may also include medically necessary home modifications, like wheelchair ramps, etc. Coverage is generally not available for preexisting conditions until a certain time period elapses. Some mental and nervous disorders are often not covered, along with alcoholism or drug abuse, acts of war and self-inflicted injuries.

One of the most important factors in choosing this type of coverage is the strength of the insurance company. Don't be afraid to ask tough questions. Find out how long the company has been in business. Look into its financial strength and it success in managing its portfolio of investments. Most importantly, how does it rank with the independent rating companies like A.M. Best, Moody's, Standard and Poors, and Comdex. Triple A is the best rating. I wouldn't recommend a company with anything lower than an A rating.

Other than the coverage mandated by the government, policy benefits vary widely. It's important that you carefully analyze the terms of each policy. There are many provisions you should consider before committing to this kind of insurance. Let's review a few of the most important attributes that every good long term health care policy should have.

First, look at the size of the average daily benefit that will be paid for Nursing Home costs. Is it sufficient to pay the daily charges of local Nursing Homes? Nursing Home costs vary. Locally, the average cost of a Nursing Home is $_____ per day. If your policy only pays a portion of the cost, you're going to have to make up the difference out of your own pocket.

Next, you should look at the date the policy starts paying benefits. Does it start paying the minute you enter the Nursing Home? Or is there a substantial period when you will have to pay the costs yourself? Obviously, the longer the waiting period before benefits start, the cheaper the premiums will be. The sooner benefits start, the more expensive the policy. You get to choose a plan that fits your finances and risk tolerance.

Long Term Care Insurance

- Should you wait?
  - Pre-existing conditions not covered
  - Apply when you're healthy
- Guide to Long Term Care
  - Free booklet available
  - National Association of Insurance Commissioners

Because most of these new policies don't cover pre-existing conditions, we suggest that you get coverage when you're healthy. Unfortunately, that goes against the grain of human nature. When our health is good, we feel invincible. Just remember the odds. Your chances of becoming seriously sick or injured rise exponentially as you age. So, don't wait until you need it to consider this kind of coverage. By then, it may be too late. To help you decide if this kind of coverage makes sense for you, the National Association of Insurance Commissioners has published a Shopper's Guide to Long Term Care Insurance.

It can be downloaded in a pdf format.

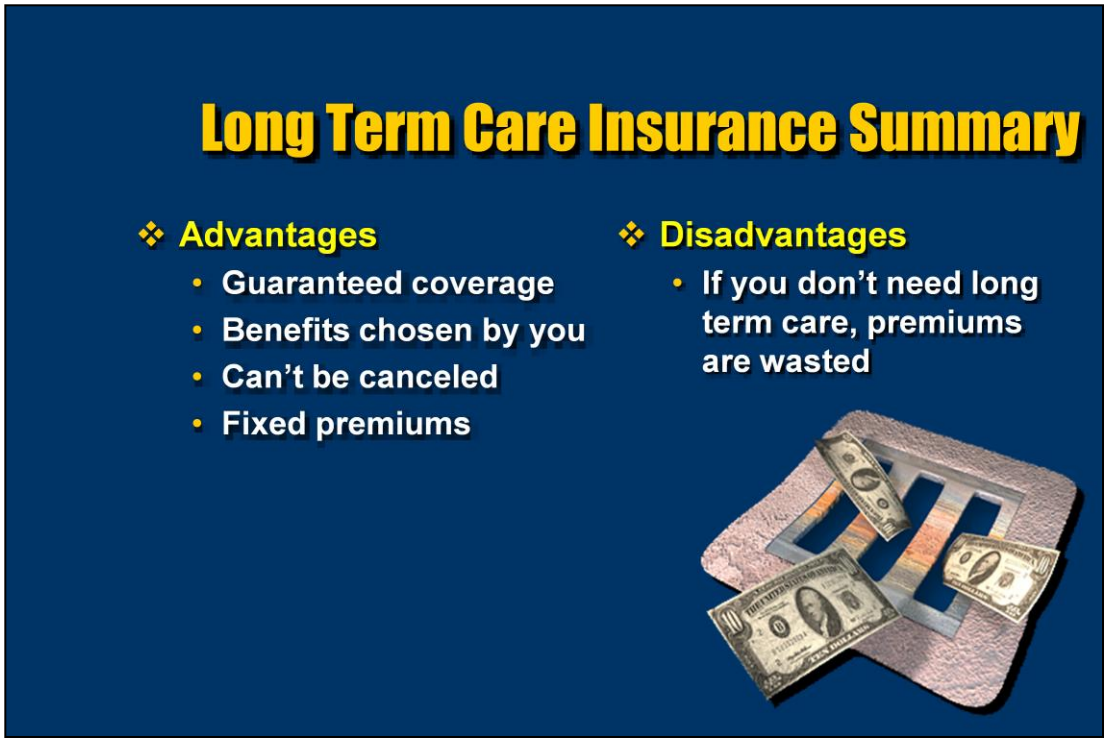
Long Term Care Insurance

What's the cost of a good policy?

Age	Monthly Benefit	Yearly Premium
55	$4,500	$1,568
65	$4,500	$2,027
75	$4,500	$3,596

How much you'll actually pay for this coverage depends on many variables, such as your present age, health and selected benefits. Although these figures aren't precise quotes for long term health care coverage, we've presented an estimate of premiums offered by companies with solid coverage.

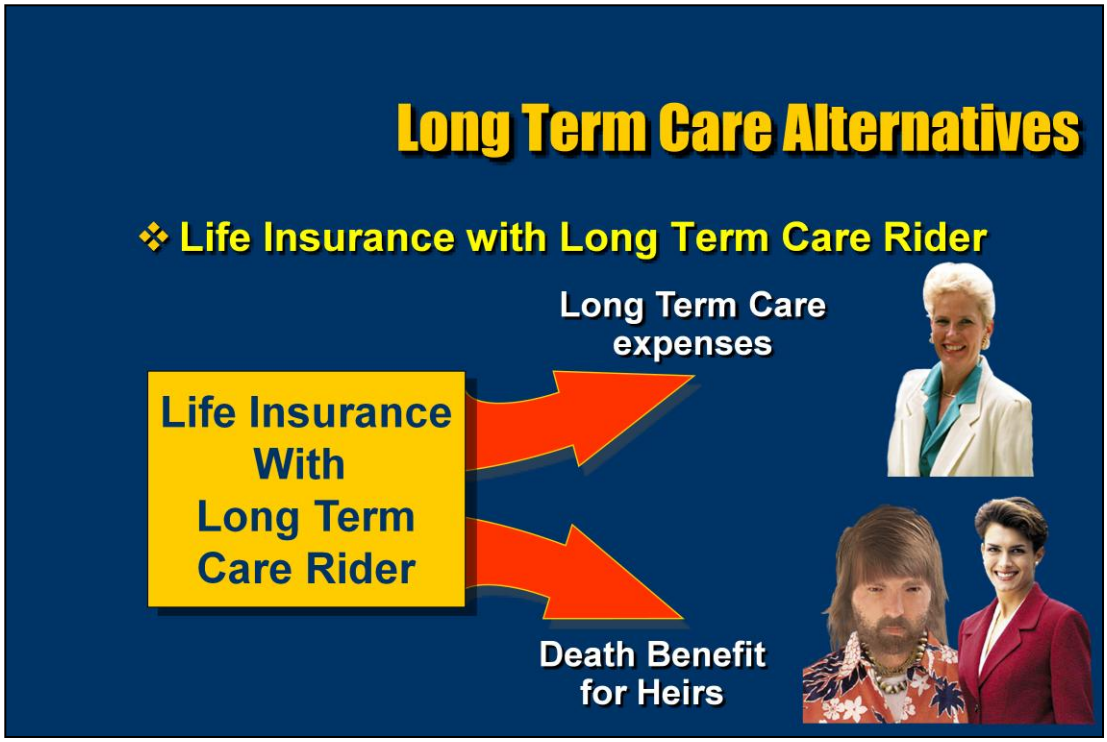
By the way, these are annual premiums, not monthly!



Let's review the advantages and disadvantages of this approach to financing long term care. With private insurance, you can secure guaranteed coverage for a predetermined time. Your policy can be guaranteed renewable and non-cancelable. Your annual premiums can be fixed so you get no surprises. And probably the greatest advantage is your ability to make critical choices about your own care. It can add considerable control over your independence and dignity at a very difficult time of life.

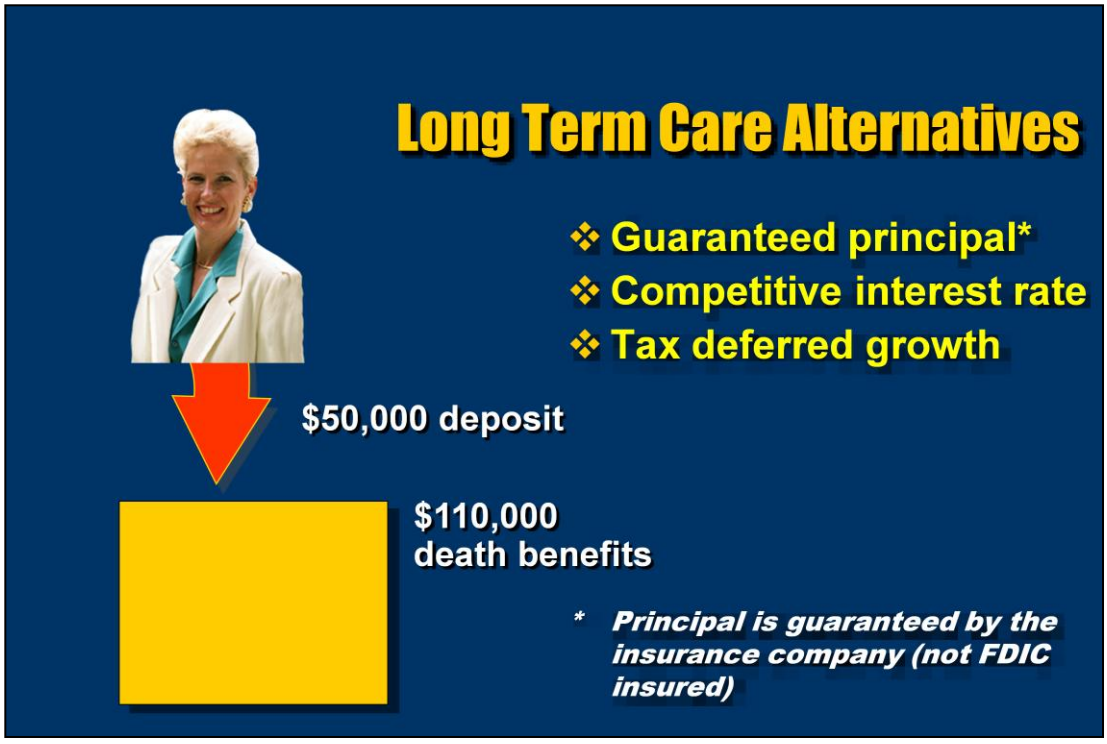
There is really only one disadvantage—if you never need it, your premiums are wasted.

I believe this is the reason most people refuse to cover this risk and gamble that they will be the lucky ones who avoid the Nursing Home nightmare.



For those of you who feel that long term care insurance is not a good bet, there is another alternative. If you qualify, it's a terrific way to hedge your bets. A number of life insurance companies now offer a life insurance policy that allows you to use the death benefit, withdrawing cash tax free to use for long term care.

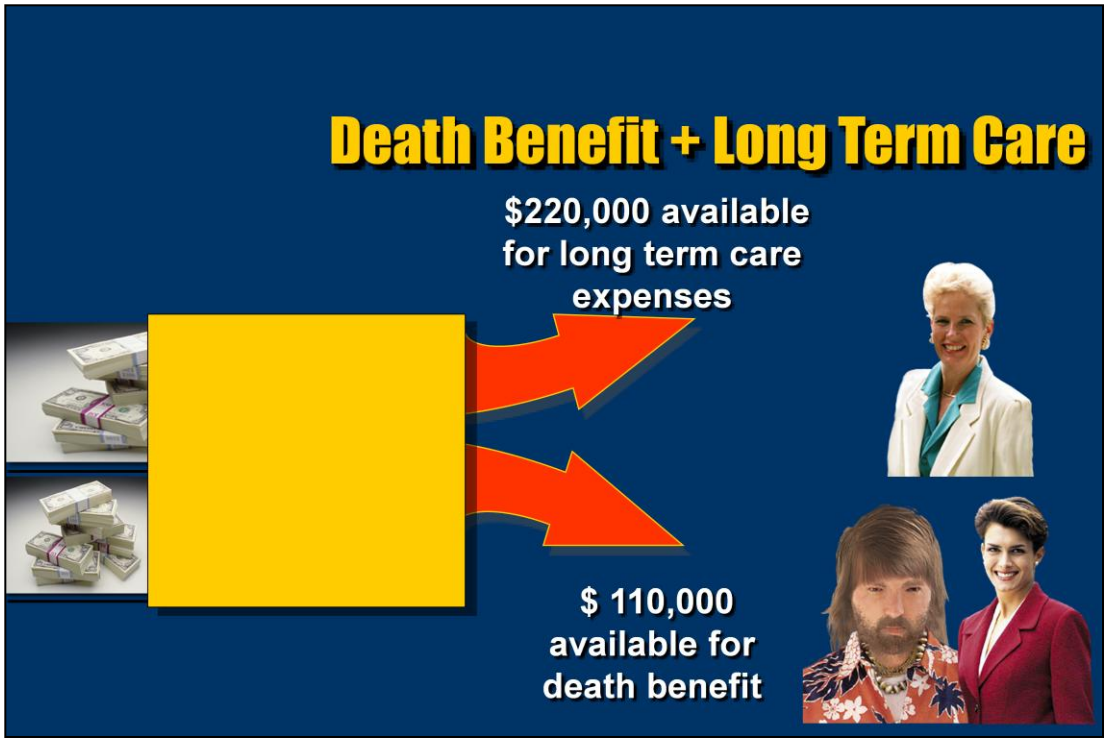
Although there are differences in these policies, they all operate on the principle that people will be more inclined to buy long term care coverage if they know that the premium dollars won't be wasted. In these policies, any death benefit that is not used to pay for care is left to your heirs.



Here's how it works. Many clients have a nest egg set aside in conservative investments, just in case there is an emergency. Let's say Mary decides to move $50,000 from other investments to a single deposit life insurance policy with a long term care rider. This is money she would probably not use in her lifetime unless she had a major financial problem like long term care. It would probably end-up going to the kids or grand-kids eventually. You know, the CD that just keeps rolling over year after year. That kind of money.

So what is going to happen to Mary's $50,000 after she transfers it to this special policy? Keep in mind that Mary is basically buying insurance. Her $50,000 buys her a paid up life insurance policy with a death benefit of $110,000. Her cash value is guaranteed by the insurance company. It will always earn a fixed competitive interest rate and the growth is tax-deferred.

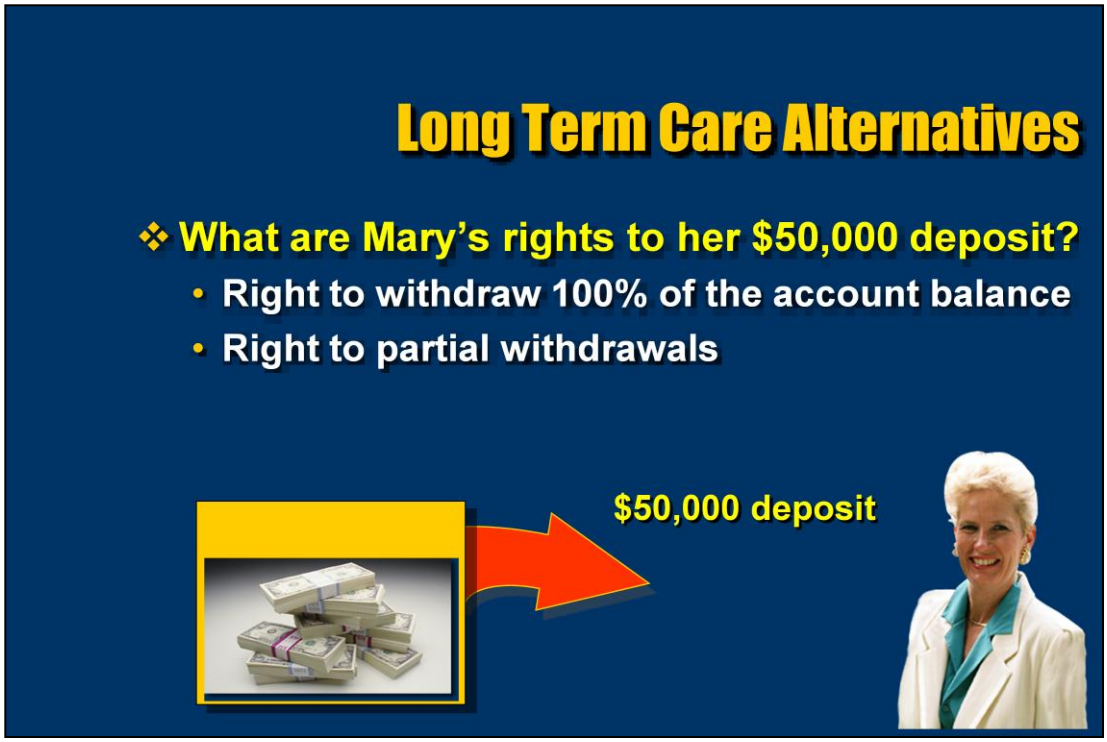
How does this compare to a CD? In both cases the principal is guaranteed. Each earns interest, but the CD is taxable and the insurance interest is tax-deferred. So far it looks like Mary has improved her situation, doesn't it?



Inside the policy there are two piles of funds set aside. One is the death benefit of $110,000 to give to the kids when Mary dies. In addition, the long term care rider in the policy doubles the amount of the death benefit and makes that available for long term care expenses. In this case, Mary's funds ready for long term care are $220,000. Any money used for long term care is deducted from the death benefit and passed on to the kids. If no long term care is needed, all of the death benefit goes to the heirs.

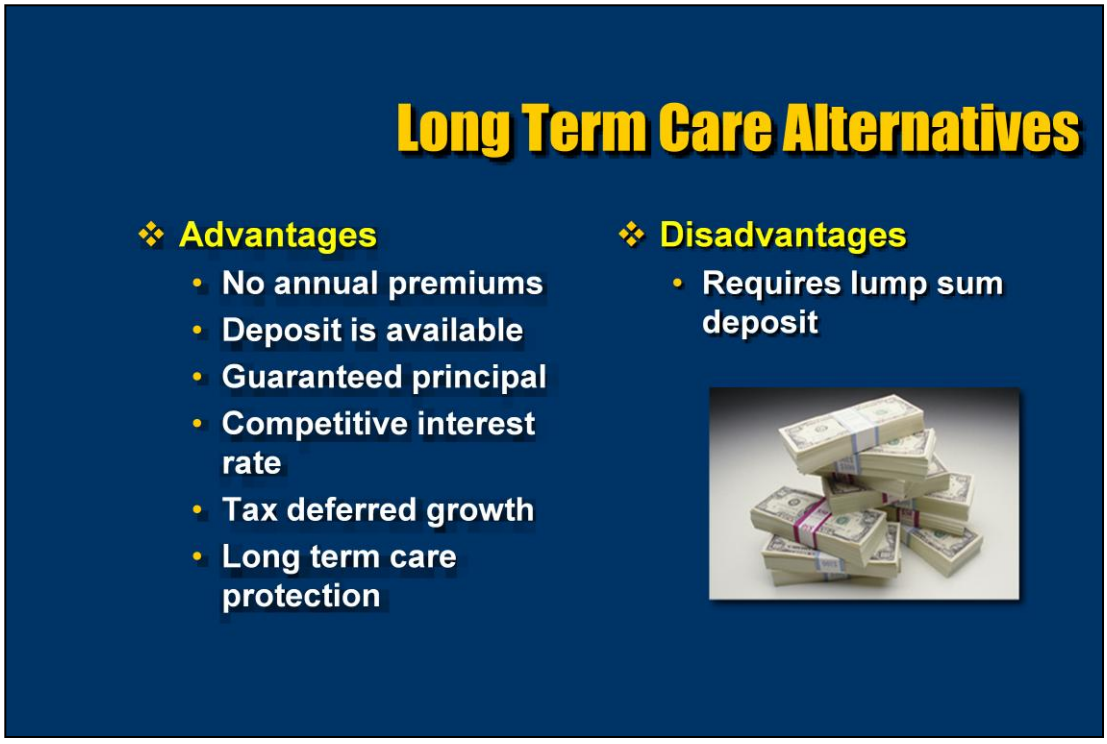
With $220,000 available for long term care expenses, Mary can finance up to 44 months in a Nursing Home or other kind of care facilities.

As an added benefit, let's say Mary has a totally unexpected accident and dies instantly 3 months after depositing her $50,000. How much will the heirs receive? That's right, $110,000 tax-free and probate free. If the $50,000 had been left in the CD, it would have only been worth $50,000 and would have been subject to income taxes on the last year's interest and the asset would have to go through probate.



Now let's assume Mary didn't die in an accident and she hasn't become disabled, but a significant financial emergency comes up. What are her rights to the money on deposit?

If she needs it all, she can withdraw it immediately, with only a phone call. Remember, the $50,000 principal is guaranteed. Or, if she only needs a portion of the money, she can, again with one phone call, obtain a partial withdrawal with no early withdrawal penalties usually associated with a CD.



Let's review the advantages and disadvantages of this alternative approach to financing long term care. With a life insurance policy and a long term care rider, the advantages are:

- There are no annual premiums
- Your deposit is completely liquid
- Your principal is guaranteed
- You receive a competitive interest rate
- Your growth is tax-deferred
- You have double the death benefit available for long term care.

There's only one disadvantage. It requires a lump sum deposit.

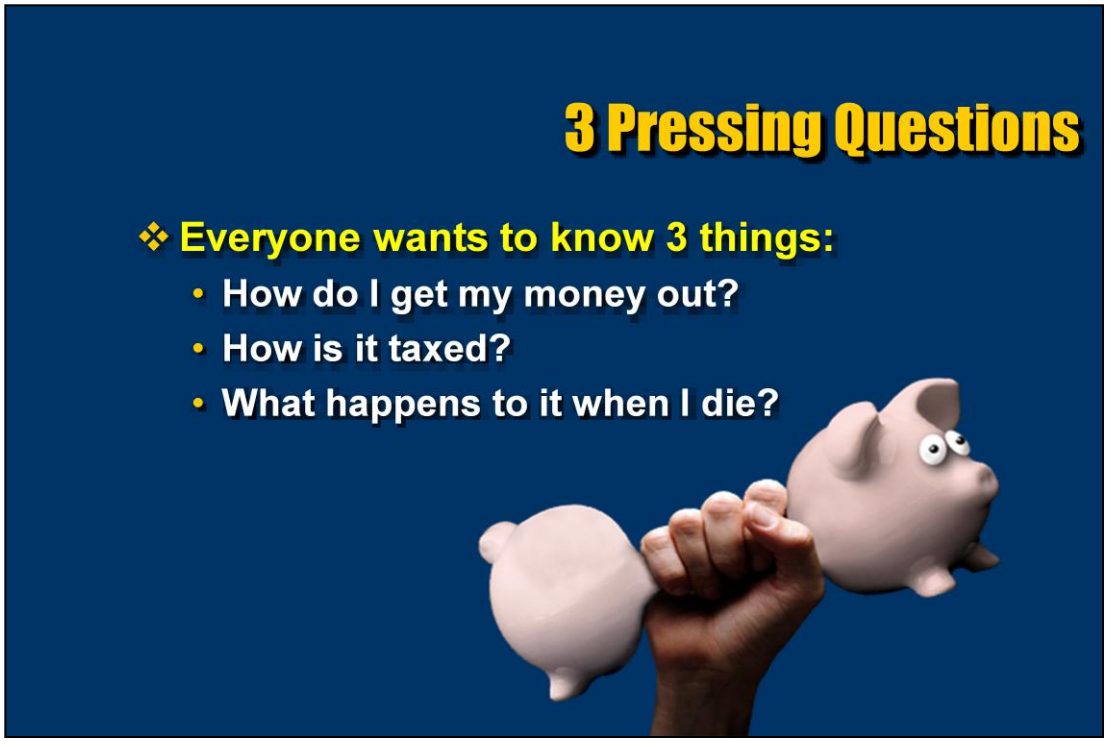
The next key in successful financial and estate planning centers on the protection of your retirement plan.

The Retirement "Deal"

- The Government's rules about IRAs:
  - You can contribute pre-tax dollars to grow tax-deferred
  - You can't touch it without penalty until you're age 59½
  - You must start taking withdrawals at age 70½
  - You must pay tax on withdrawals at your current tax rate
  - At death, remaining funds could be double-taxed (income and estate) before they go to your heirs

But first, let's talk about the "deal" you made with the government when you decided to take advantage of a retirement account that allowed you to put off the payment of your income taxes. I would venture to guess that most people aren't fully informed about these details when they open an IRA—can I see a show of hands of those who knew all of these rules?—OK. Let's look at the terms of the deal.

First, the government lets you contribute pre-tax dollars to your retirement account and allows it to grow tax-deferred. Nonetheless, it wants to make sure you know that the income taxes you initially avoided will have to be paid at a later date.



As we walk through the discussion of these issues, I think it's fair to say that everyone who owns a tax-deferred retirement account wants to know three basic things:

- How do I get my money out?
- How is it taxed?
- What happens to it when I die?

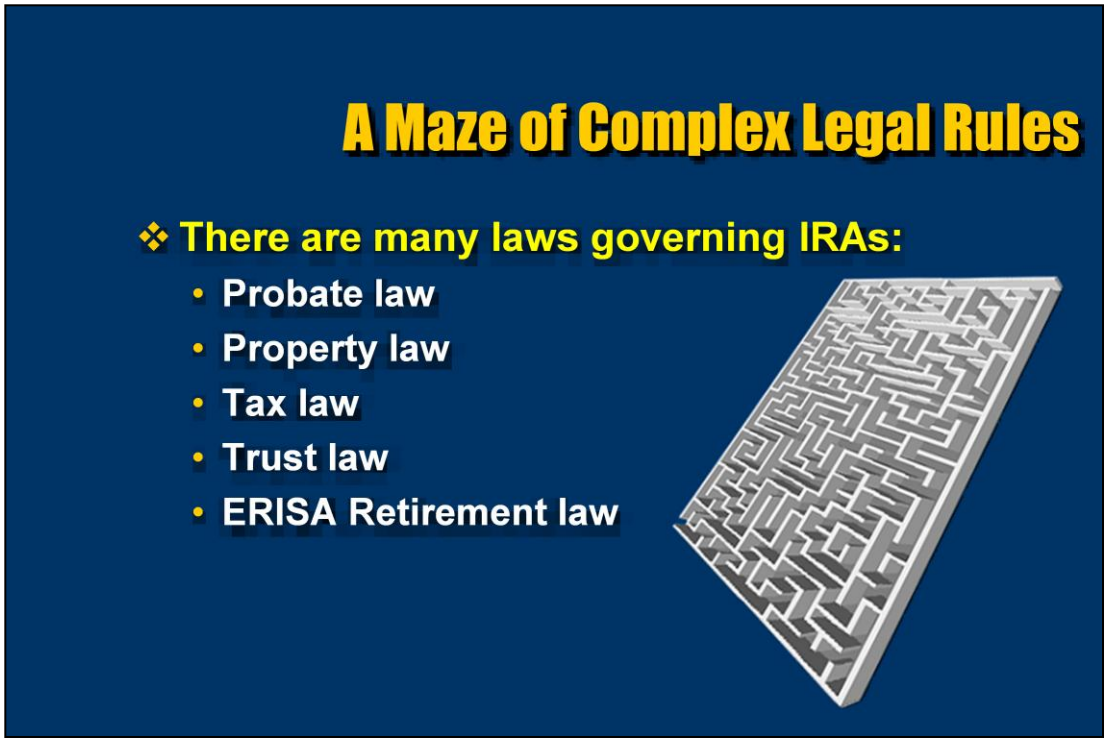
The answers to these questions are not as simple as they might appear. But knowing the answers could change the nature of how you retire—because it's critical that you follow the rules.

Retirement Fund War

- You and Your Family Want…
  - Easy access to funds with little or no taxation during your lifetime
  - The ability to pass your estate to your heirs with little or no taxation
- Federal & State Governments Want…
  - To maximize income taxes during your lifetime
  - A huge chunk through death taxes at the time of your death

One way of looking at your position as an IRA holder, is in relation to the Government's position. It's kind of like a great war is being waged over this incredible pot of money. Of course, you, your children and your grandchildren have a united position in this battle. You all want to make sure it's readily available during your retirement years with little or no taxation and that it passes quickly at your death without the government getting its hands on it.

Well, surprise! The government takes an entirely different view. In its eyes there may never be a source of funds this large again. It wants to maximize the taxes it can collect both during your life and at death. Sadly, for those who don't properly plan, the government could snatch as much as 75% of your retirement funds in taxes!



When it comes to retirement assets, the government has enacted all kinds of complicated rules and substantial penalties for violating those rules. To make our task even more difficult, the rules involved in understanding the most effective way to handle retirement assets cross over into several different areas of the law. They can involve the need to avoid probate, handle creditor claims, minimize income and estate taxes and interpret the comprehensive rules of ERISA, which stands for Employee Retirement Income Security Act.

But this isn't law school. And I don't think you want to know the intricacies of each of these areas. The purpose in sharing this information with you today is to give you the type of information that many IRA administrators don't share. Ideally, you'll learn enough today to prepare you to seek out the right kind of professional assistance. So, let's spend some time getting familiar with the rules before we tackle the strategies that will work best for you.

Bottom Line Condition

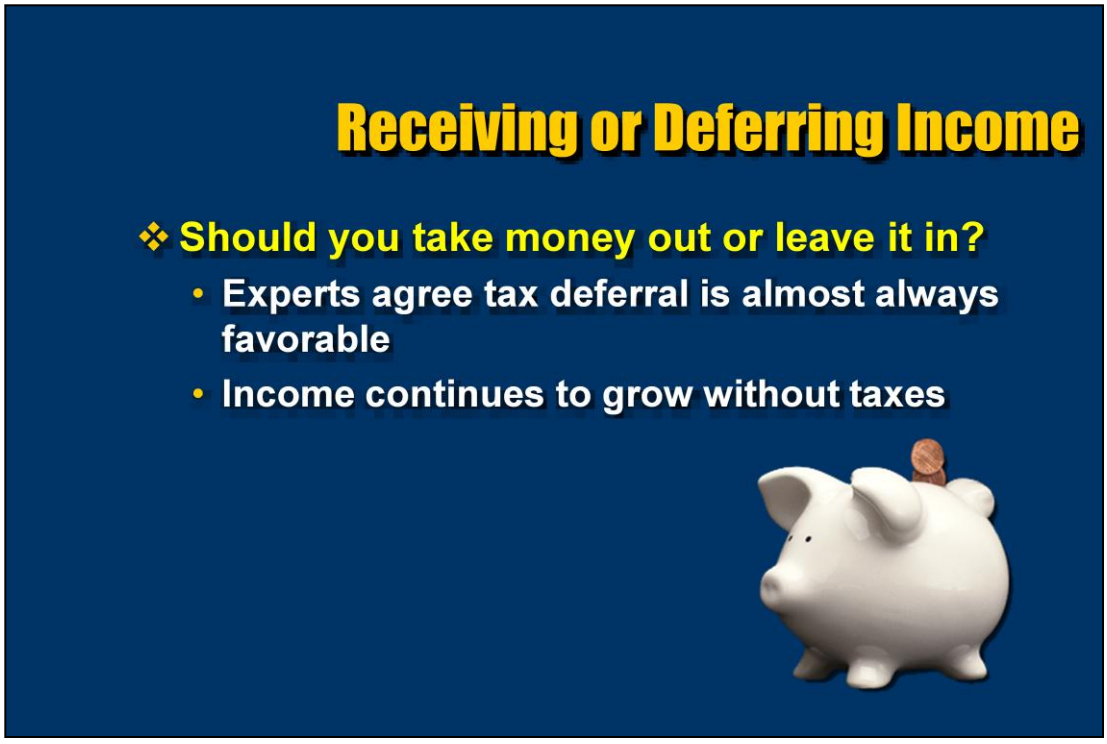
Fundamental questions you must answer:

Do you need your IRA income to finance your lifestyle?

OR

Do you plan to pass these funds on to your heirs?

All the strategies we will be discussing today assume that you won't need all of the income from your IRA to finance your retirement. If you know that you'll require every cotton-picking dime to make ends meet during retirement, then the information in this part of our workshop seminar is not for you. However, if you're like many of our clients and don't need the money to live on, this information will be extremely valuable.



The question naturally arises, if you don't need the money to live on, what should you do with it? Is it better to leave your funds in the IRA to accumulate without taxes or to make systematic withdrawals and pay the taxes on those funds? That's really what this discussion is all about.

Most experts agree that leaving money inside your account to grow on a tax-deferred basis is almost always the most desirable option. During the deferral period, you will have the use of the money that would otherwise have gone to pay taxes. If the IRA income remains invested in your IRA, it will, of course, generate more tax-deferred income.

So the lesson is that if you have the option of either leaving money in or taking it out of your IRA, leave it in. The best way to defer the payment of taxes is to defer the receipt of the income. It's as simple as that.

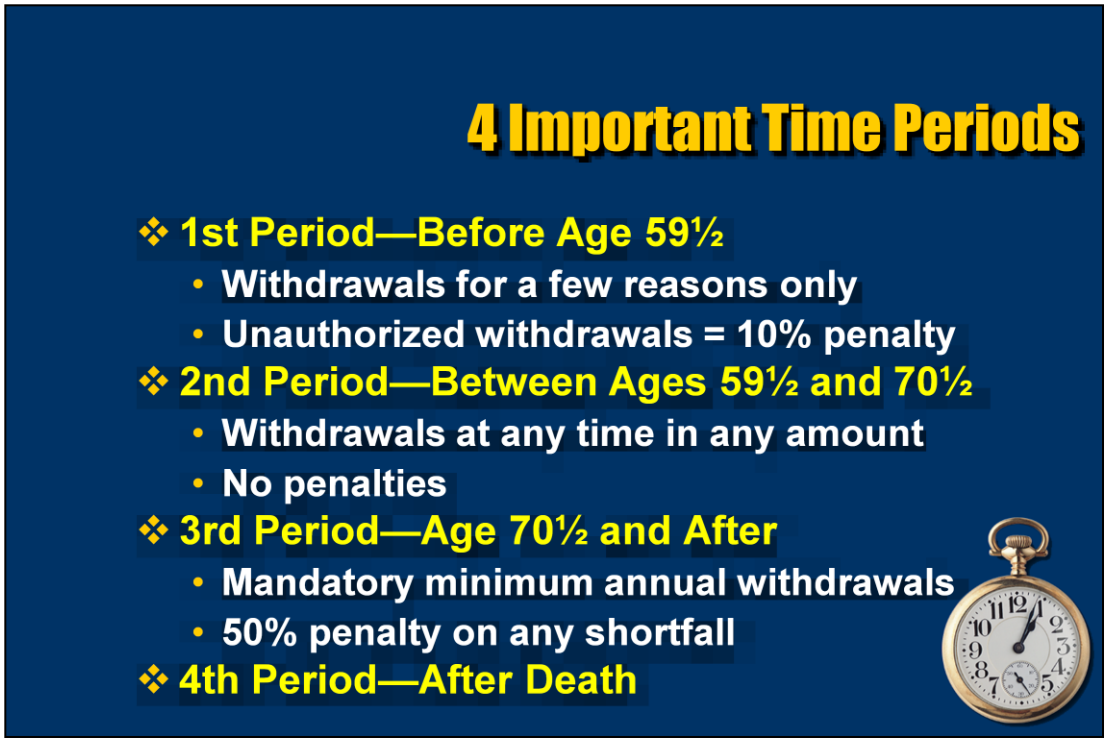
To illustrate how powerful the deferral of income can be in accumulating wealth, let's compare what happens if we take money out and pay taxes versus leaving money in to grow tax-deferred. Let's assume the invested funds are earning 8% and there is a flat tax rate of 28%.

Let's see what happens to the wealth accumulation if we withdraw $10,000 and pay taxes or leave it in to grow tax-deferred. The piggy bank on the left shows what happens if you withdraw $10,000 from your IRA, pay taxes on it and invest the balance for 15 years at 8% outside of your tax-deferred account. By the end of the 15th year, your $10,000 has grown, after taxes, to $16,678. Not bad. It has more than doubled.

So, what if you do need the money? When can you start withdrawing from your IRA?

Well, you can begin withdrawing anytime, but there are ramifications.

Withdrawing your funds early or not withdrawing them when you're required to can be a very expensive and even dangerous move.



To understand the government's rules for properly withdrawing your retirement funds from your account, picture four distinct time periods.

The first period is <u>any time before you reach 59½,</u> during which, with some exceptions, the government will penalize you if you take money out of your IRA. They want you to leave it alone and let your investments grow. If you take money out without an acceptable reason, a 10% early distribution tax will apply to the withdrawn amount.

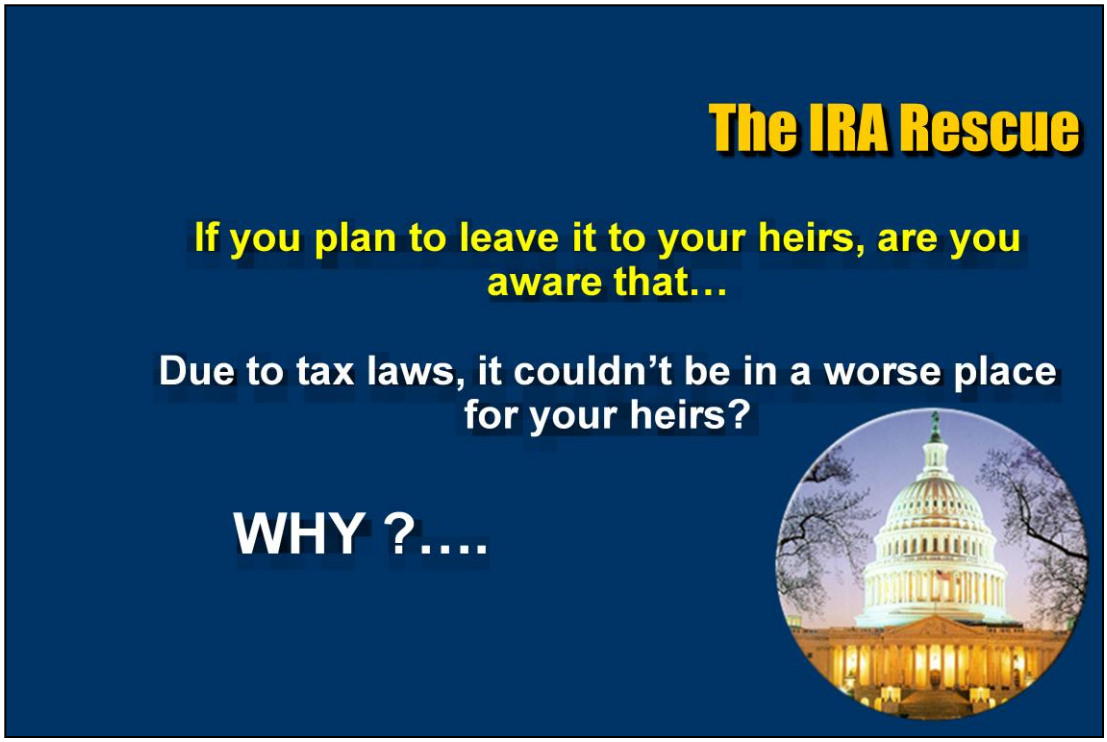
The second period is <u>between the ages of 59½ and 70½</u>. This is the time when you can make withdrawals in any amount you want. There are no penalties during this period. Of course, the government would prefer that you withdraw as much as possible so they can recover the deferred taxes, but there are no withdrawal requirements.

IRA Planning Options

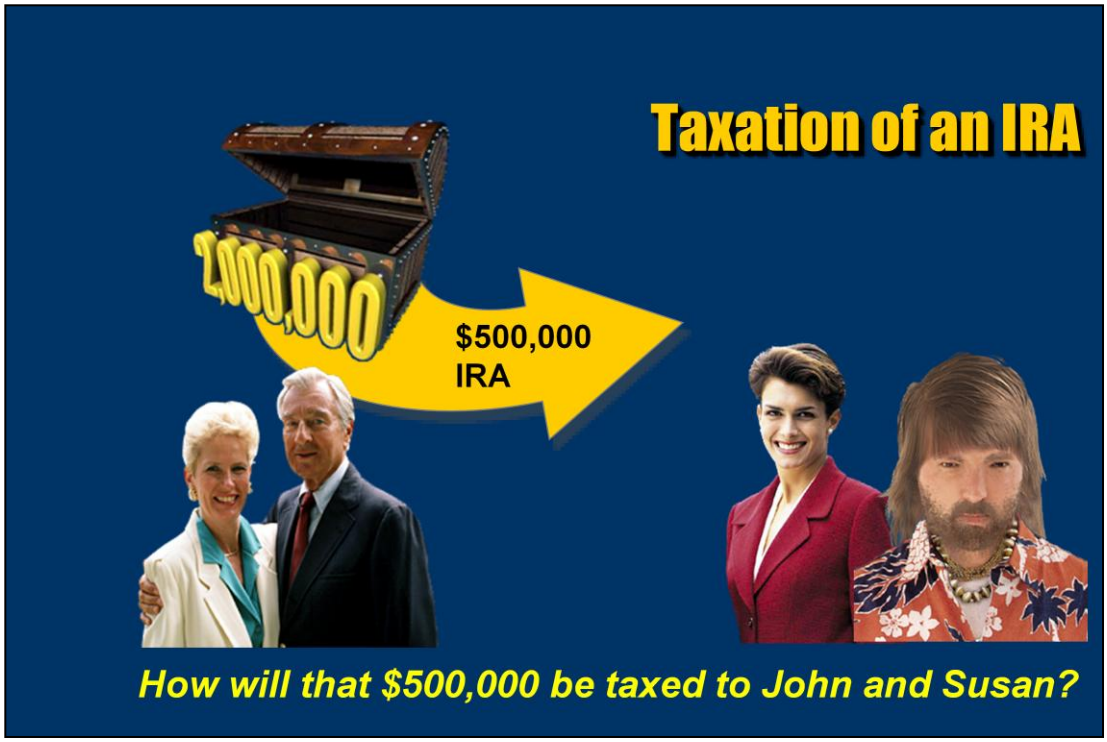
- IRA Planning Strategies:
  - Lump Sum Pay Out
  - Lifetime Conversion to Roth IRA
  - "Stretch-IRA"
  - IRA Dynasty Trust
  - Testamentary CRT
  - Testamentary Private Foundation
- IRA Rescue Alternatives

There are many options available to plan for the distribution of your IRA funds. Some are disastrous and others are appropriate only for very wealthy individuals. They range from a straight lump sum payment to the creation of a Private Foundation. However, we don't have enough time to discuss them all today. I want to focus on one strategy that is particularly effective for many families. It guarantees your heirs get all of your IRA funds tax free and provides for immediate long term care benefits during your lifetime. It's called the IRA Rescue Plan.

Remember, in our discussion today, we're asking two questions: First, do you have a sizeable sum in your IRA and second, do you need that money during your lifetime, or do you want to leave it to your heirs, charities or others?



If you want to leave it to your heirs, you may be surprised at what the government has in store for your family after your death. Because all of this money has been income tax deferred for years, your family will be asked to pay the taxes.



Let's look at how this works for our good friends Bill and Mary and their children. In this example let's assume Bill & Mary after a lifetime of work have acquired an estate valued at $2,000,000 and part of that total estate is a $500,000 IRA. How will the government treat the distribution of the IRA to John and Susan upon the death of Mom and Dad?

Taxation of an IRA

How much of the IRA will John and Susan receive?

IRA	$500,000
Federal Estate Taxes	– $225,000
Deferred Income Taxes	– $ 96,250
Net to John and Susan	$178,750

The government has been waiting for this day for years. Now all of those deferred taxes must be paid and they get the estate tax as an added bonus. The $500,000 immediately takes a hit from estate taxes for $225,000.

Then the long deferred income taxes kick in for $96,250.

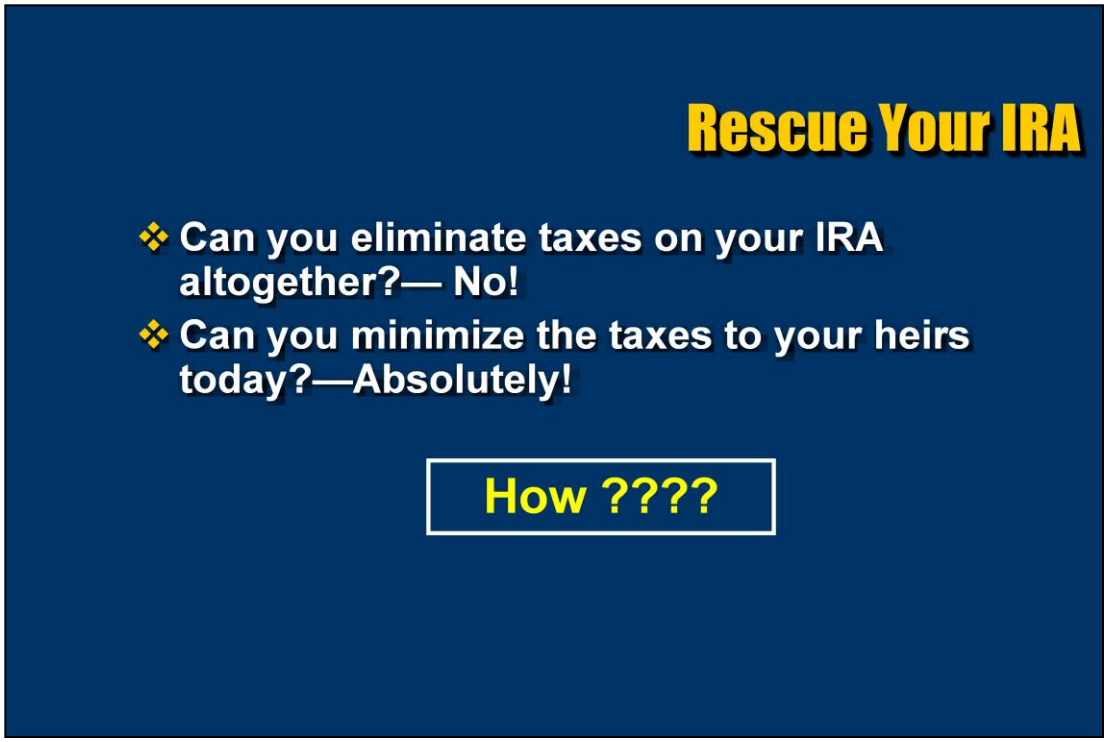
This leaves John and Susan with a net sum of only $178,750. That's a reduction of more than 64% for taxes.

The IRA " Moment Of Truth "

- For Your Heirs:
  - The moment they learn their share of your $500,000 IRA is $178,750 (or only 36%)
- For You:
  - The moment you realize that for all of those years of saving the IRS has been patiently waiting to take $321,250 (more than 64%)

This is what we affectionately call "The moment of truth." For your heirs, it is the moment they realize that they will only be getting 36% of your hard earned assets.

For you, it is the moment you realize that after all that saving and hard work the government will walk off with 64%.



I wish I could stand up here and say that we have a way to totally eliminate taxes on your IRA, but I can't. Some of those deferred taxes will have to be paid. What I can tell you is that there are several strategies that will drastically reduce the tax bite for you and your family. How does it work? Let me walk you through one very popular method.

The IRA Rescue Plan

Take steps to rescue your IRA today…

- **Step 1:**
  - Take systematic annual withdrawals from your IRA
- **Step 2:**
  - Pay income taxes on your withdrawals

What should you do with your after-tax income?

It's called the IRA Rescue Plan and it's a simple four step process. Remember, you shouldn't use this plan if you're regularly using your IRA to live on. This is for funds in your IRA that you intend to pass on to your heirs. Step one is to take systematic annual withdrawals from your IRA and Step two is to pay the taxes on those withdrawals. Now the question is how much should you withdraw and what should you do with your after tax funds.

What you'll do is withdraw enough funds to pay the annual premium on a life insurance policy on either you individually, or a second to die policy on both spouses. The policy should have a death benefit equal to the full IRA amount. In our example with Bill and Mary, it's $500,000. You will set up a special life insurance trust known as an ILIT (Irrevocable Life Insurance Trust). The ILIT will own the life insurance policy and John and Susan will be named as beneficiaries.

Why did we go through this little exercise? First of all, life insurance benefits are received by your heirs income tax free. OK, but why did we put the policy into a trust? The trust protects the insurance proceeds from the estate tax. If Bill and Mary owned the policy in their own names, the full $500,000 would be considered as a part of their estate at death and would be subject to estate taxes. Inside the trust, it's not part of their estate and not taxable. So we have two taxes we're avoiding: income taxes and estate taxes. That means John and Susan will receive the entire $500,000 without any reduction for taxes. This sure beats the government walking off with 64%, doesn't it.

The final step is to make sure that you withdraw enough funds from your IRA each year to not only pay for the life insurance premium that we just discussed, but also enough to cover the annual premiums on a deluxe Long Term Care insurance policy with high daily benefit amounts to fully protect you from Nursing Home expenses. Let's see how this strategy works with Bill and Mary's estate.

The Jones' IRA Rescue Plan

IRA Withdrawal—Year One

IRA	$500,000
1st Year Withdrawal	– $ 15,000
Income Taxes Paid (36%)	– $ 5,400
Withdrawal After Taxes	$ 9,600

Balance left in IRA
$485,000

Year one, Bill and Mary withdraw $15,000 from their $500,000 IRA. They pay the taxes of $5,400 which leaves them a net income of $9,600.

Jones' IRA Rescue Plan

- Life Insurance Policy Purchased—Year One
- $9,600 IRA withdrawal pays for:
  - $4,800 annual life insurance premium
    - 2nd to Die joint policy
    - $500,000 death benefit
    - Policy owned by ILIT
    - Children named as Beneficiaries

$4,800 is used to pay the annual premium on a 2nd to Die universal life insurance policy with a $500,000 death benefit. An irrevocable life insurance trust (ILIT) is created and it owns the life insurance policy. The kids are named as beneficiaries of the trust. So far so good.

(Speaker's Note: This is a 2nd to die universal life policy on spouses who are 65 and in good health.

Jones' IRA Rescue Plan

Long Term Care Policy Purchased—Year One

- **$4,800 remaining IRA withdrawal pays for:**
  - **$4,212 Annual Long Term Care Premium**
    - **$150 per day – 5 year coverage**
    - **In & Out coverage**
    - **5% compound interest inflation rider**

The remaining $4,800 pays for a deluxe long term care policy for both spouses. The couple even has close to $600 left over every year after making the required annual premium payments.

Jones' IRA Rescue Plan

Comparison—During Jones' Lifetime

	No Plan	IRA Rescue Plan
Long Term Care Protection	½ of IRA gone in 4–5 years	$150 per day for 5 years

Let's compare our strategy with what Bill and Mary had in place with the full $500,000 sitting in the IRA. First, during their lifetime, was there any protection for long term care expenses? No, other than using up the IRA for Nursing Home expenses. With our Rescue Plan, Bill and Mary have five years worth of coverage at $150 per day to cover any long term care expenses.

Jones' IRA Rescue Plan

Comparison—Upon Death of 2nd Spouse

	No Plan	IRA Rescue Plan
Amount to Heirs After Estate Taxes	$275,000	$500,000
Amount to Heirs After Income Taxes	$178,750	$500,000

At death, without a plan, the children watched as the government swooped in to take 64% of the IRA in a combo one, two punch of income taxes and estate taxes. With the Rescue Plan the children receive the full $500,000 from the life insurance tax free. In addition, they get whatever is left in the IRA after taxes. The government gets nothing.

Jones' IRA Rescue Plan

- **Bottom Line Summary**
  - The heirs receive $500,000 instead of $178,750 after taxes
  - Bill and Mary have Deluxe Long Term Care Coverage

Here's the bottom line result. During life, Bill and Mary look after the risk of long term care expenses and eliminate all income and estate taxes when they pass their IRA on to their children. I'm sure you'll agree, this is a remarkable result.

The IRA Rescue Plan

- Your Rescue Plan will vary based on your circumstances:
  - Need for Retirement Funds
  - Joint or Individual Policies
  - Age and Gender
  - Tobacco Usage
  - Medical Conditions

This will not work for everyone. Your plan and its costs will obviously be dictated by a combination of your need for the retirement funds during life and the underwriting factors that determine whether you are insurable and how much it will cost. You know, things like your age and gender, whether you smoke and your overall medical condition.

The only way you'll know whether this or the other IRA strategies are right for you is to sit down with _____ and have him/her analyze your situation. This is one of the reasons we put on these workshops. Just knowing about a strategy isn't enough. You've got to sit down with someone knowledgeable and find out how it works with your individual circumstances. Check the box on your Evaluation Form if you'd like to discuss ways to save taxes on your IRA.

The Annuity Rescue Plan

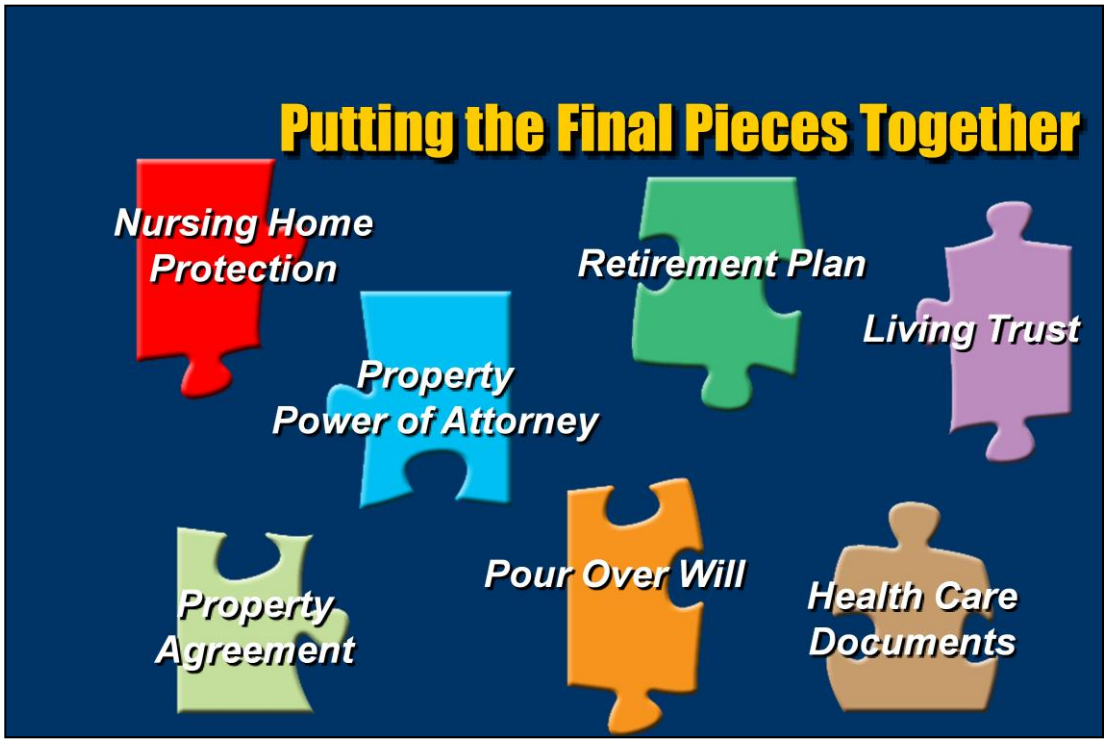
- The IRA Rescue Plan works extremely well to maximize the pay-outs from "Qualified Plans"

  but…
- Traditional Annuities create very similar tax problems for your heirs,

  so…
- This same planning can "rescue" your heirs from those taxes, as well

If you understand how the Rescue Plan works with an IRA, you can transfer that knowledge to Rescue an Annuity. You see, annuities have all the same tax problems that an IRA has. Both are subject to deferred income taxes and huge estate taxes at death. In other words, just substitute the funds in an annuity for an IRA and you can accomplish the same result. These are the kind of issues that get raised in a personal consultation. It may be the most valuable time you ever spend with a Financial Advisor if one of these strategies is right for you.

There you have it: the three keys to financial and estate planning survival. Although there are many other areas that should be examined in a comprehensive wealth management review, these are the core areas you should focus on: have a good estate plan, protect yourself from long term care expenses and shield your retirement funds from taxes.



I know you're all probably shaking your heads right now, saying why does everything have to be so complicated? It looks like a giant jigsaw puzzle. However, we're here to make it easy and understandable for you. Let's look at the estate planning issues first. When you come in to meet with us, if we agree that a living trust makes the most sense for you and your family we'll get busy to create a complete Estate Planning Portfolio.

Planning Should Include

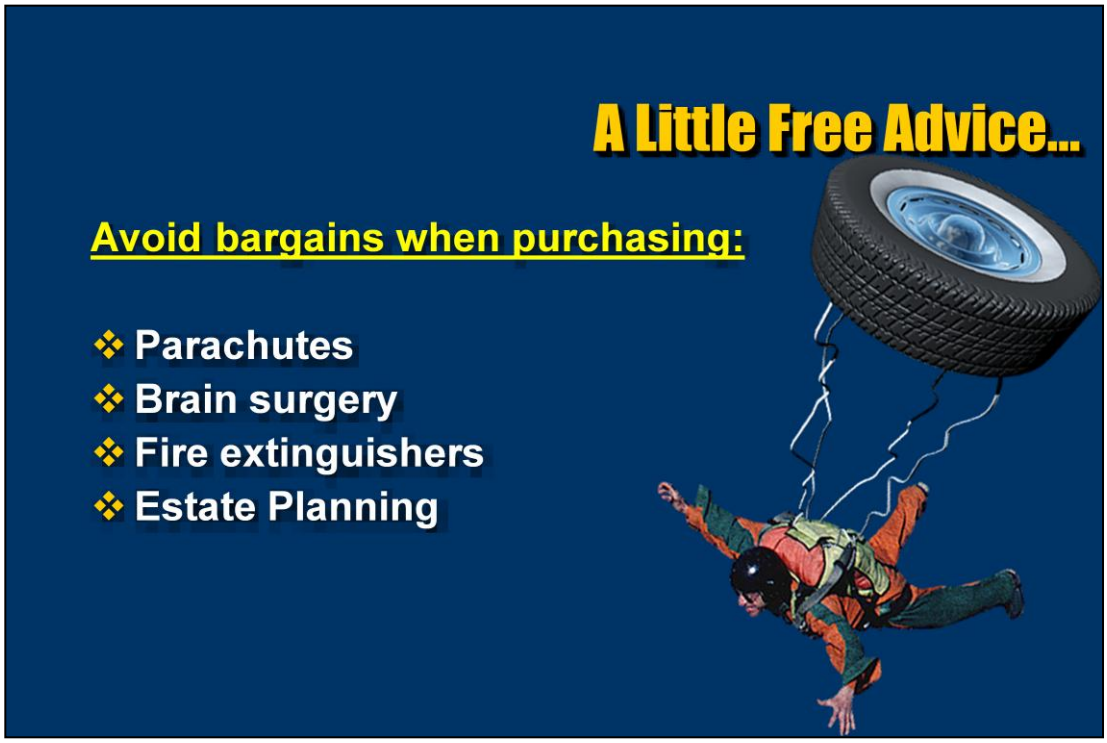
- Planning for Disability
- Wills, Trusts
- Counseling
- Funding
- Annual Maintenance

SXU Workshop Forum

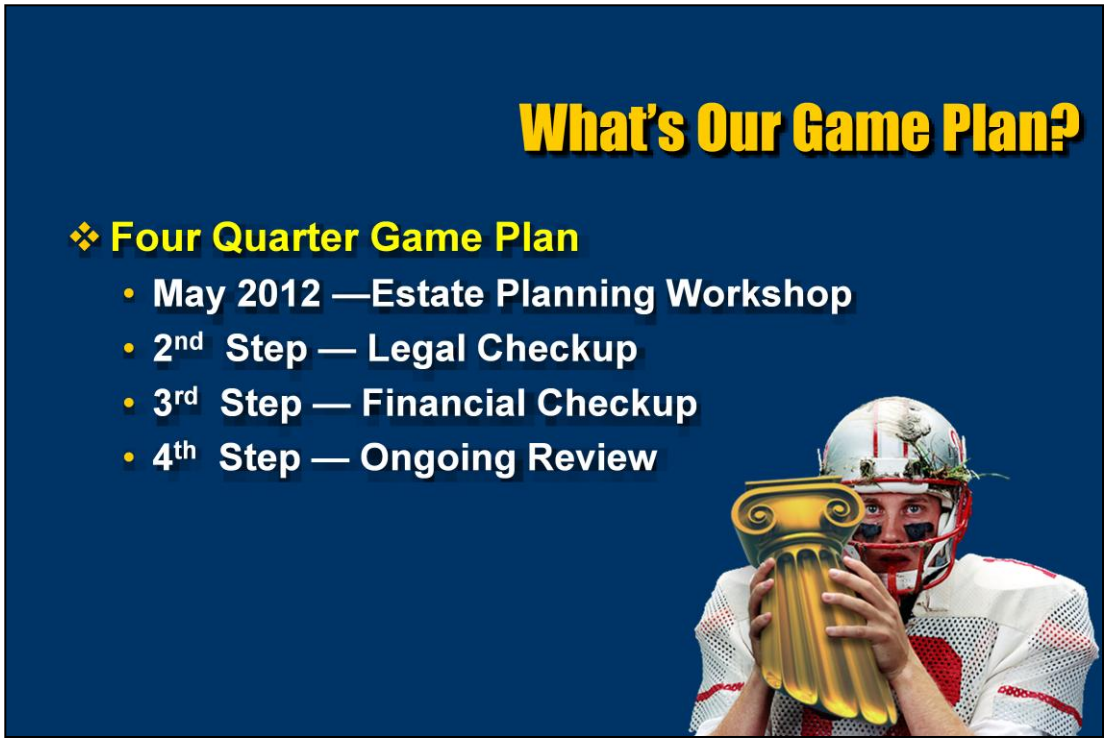
- Access to experienced counsel
- You will rely on us in the future:
  - When you have questions
  - If you have a disability
  - At death
  - Continuing relationship with your family

A main point to understand is that financial and estate planning is not a one-shot deal.

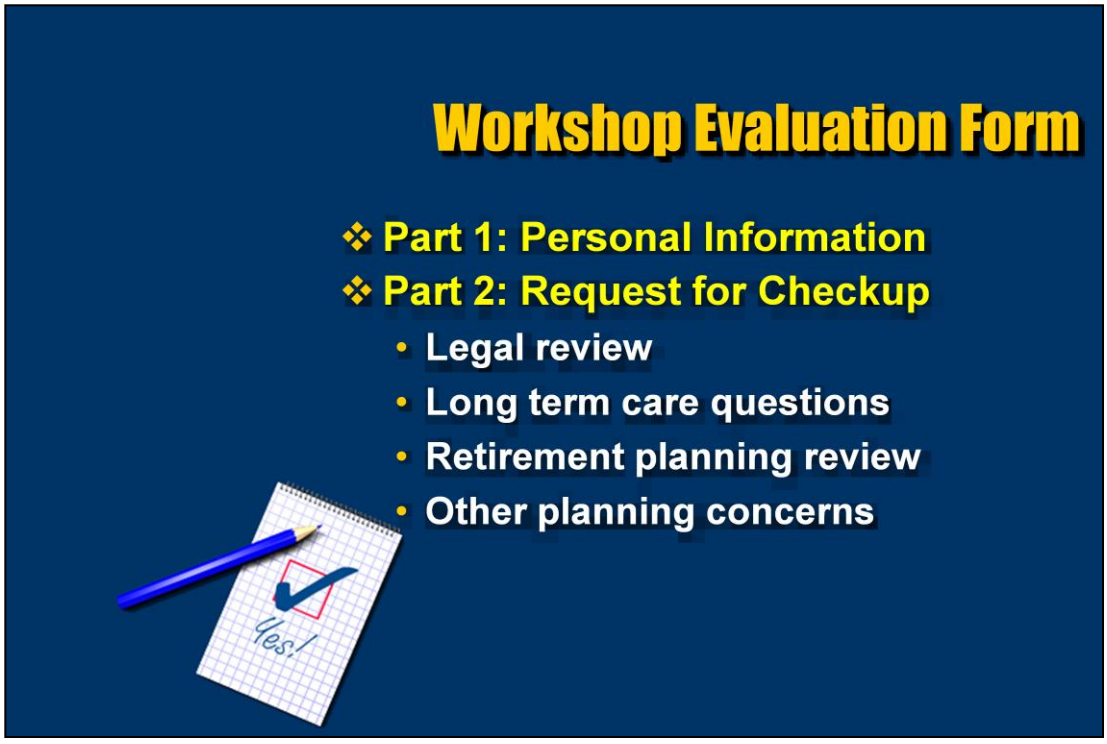
In fact, it is our philosophy that when we work with a client, we are beginning a Long term relationship. We know this through our experience in working with many families where the relationship has continued from generation to generation.



And one other item. You have worked hard to accumulate your assets. You want to be certain that you and your family are protected. Estate planning is not an area to shop for bargains—because we all know—you get what you pay for.



To borrow from a sports analogy, we like to think about this process as your "game plan for success." This is a four quarter game, just like football. The 1st Quarter is your attendance at this workshop, where you received a general overview of the issues and possible solutions.



Please pull out your Workshop Evaluation Form so we can walk through this process.

First, you fill in the top portion of the form with your name and personal information. If you have an email address, please make sure you include it so we can notify you of additional workshops and topical information about financial and estate planning.

At our firm, one of the things that we pride ourselves on is making sure our clients experience no surprises. If we tell people ahead of time what they can expect and then we actually give it to them, we find that most people are surprised, and they're also more comfortable and able to make clear decisions about the course of action they need to take. So, with that in mind, how many people here have been to see a lawyer in the past 5 years?

Your Financial Checkup

- Make your appointment
- Confirmation Call
- Meeting Agenda
  - Your family, goals and existing plan
  - Answer your questions
  - Explore solutions

Now, what I'd like to do is take your questions. Remember, now is the time to go to the back of the room and see _____ to make these free appointments and get your credit certificate.

Any questions? (*When you're ready to close the workshop, put up the next screen.)*

(*At the end of the question-and-answer period, say*,) "One last thing before we conclude: was it worthwhile coming down here to hear this information?"

(*At that point most people will be responding with, "Yes" and in most instances, they will be giving you a round of applause. Say*,)

Thank you very much and we will look forward to seeing you soon.

(*Let them know that you'll remain up front to answer any remaining questions*.)

I'll be happy to answer all your questions, and if you have not signed up for an appointment, see (*your paralegal*), because we want you to get a reduction in the fee. Thank you very much and that concludes the workshop.